

In the opinion of Quint & Thimmig LLP, San Francisco California, Bond Counsel, subject however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.



\$22,015,000
BURBANK PUBLIC FINANCING AUTHORITY
Revenue Bonds, 2003 Series C
(City Centre Redevelopment Project)

Dated: Date of Delivery

Due: December 1, as shown below

The Burbank Financing Authority Revenue Bonds, 2003 Series C (City Centre Redevelopment Project) (the "Bonds") will be issued as fully registered Bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers of such interests will not receive physical certificates. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2003. Principal of, premium, if any, and interest on the Bonds is payable directly to DTC by the trustee for the Bonds. Upon receipt of payments of principal of, premium, if any, and interest on the Bonds, DTC will in turn remit such payments to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. See "The BONDS—Description of the Bonds" herein and APPENDIX F—BOOK-ENTRY ONLY SYSTEM.

The Bonds are being issued in accordance with an Indenture of Trust, dated as of October 1, 2003 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to (a) purchase, on December 1, 2003, the outstanding Redevelopment Agency of the City of Burbank City Centre Redevelopment Project Tax Allocation Bonds, 1993 Series A (the "Agency Bonds"), (b) fund capitalized interest on the Bonds through December 1, 2003, and (c) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

The Bonds are subject to redemption prior to their respective maturities under certain conditions, as described herein. See "THE BONDS—Mandatory Redemption From Agency Bond Redemptions" and "—Mandatory Sinking Fund Redemption" herein.

The Bonds are limited obligations of the Authority and are payable from, and will be secured by, a pledge and assignment under the Indenture of amounts derived from the payment of debt service on the Agency Bonds. See "PLAN OF FINANCE" herein.

The obligation of the Agency to pay the principal of and interest on the Agency Bonds is secured by a pledge under an indenture of trust, by and between the Agency and the Trustee, in its capacity as trustee for the Agency Bonds (the "Agency Indenture"), of certain tax increment revenues and other amounts payable to the Agency, consisting primarily of a portion of the taxes levied upon all taxable property within the Agency's City Centre Redevelopment Project area located in the City of Burbank. The scheduled payment of principal of and interest on the Agency Bonds when due is guaranteed under a financial guaranty bond issued by Capital Guaranty Insurance Company ("Capital Guaranty"). The obligations of Capital Guaranty under such financial guaranty bond have been assumed by Financial Security Assurance Inc. The financial guaranty bond does not insure the payment of the Bonds.

NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE AGENCY INDENTURE ARE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AUTHORITY OR THE AGENCY OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

MATURITY SCHEDULE

CUSIP Prefix: 12081P

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix</u>	<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix</u>
2004	\$ 810,000	3.00%	1.07%	CZ2	2014	1,070,000	3.90 %	4.05%	DK4
2005	825,000	2.00	1.25	DA6	2015	1,110,000	4.00	4.15	DL2
2006	850,000	2.00	1.55	DB4	2016	1,150,000	4.125	4.30	DM0
2007	865,000	2.50	1.88	DC2	2017	1,200,000	4.25	4.40	DN8
2008	885,000	2.20	2.27	DD0	2018	1,250,000	4.375	4.50	DP3
2009	910,000	3.00	2.65	DE8	2019	1,305,000	4.60	100	DQ1
2010	935,000	3.25	3.07	DF5	2020	1,370,000	4.65	100	DR9
2011	965,000	3.25	3.40	DG3	2021	1,430,000	4.70	100	DS7
2012	995,000	3.50	3.65	DH1	2022	1,495,000	4.75	100	DT5
2013	1,030,000	3.60	3.80	DJ7	2023	1,565,000	4.80	100	DU2

This cover page is not intended to be a summary of the Bonds or the security therefor. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Certain other legal matters related to this offering will be passed upon by Quint & Thimmig LLP in its capacity as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the Agency by the City Attorney. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York on or about October 9, 2003.

E. J. DE LA ROSA & CO., INC.

September 23, 2003

**BURBANK PUBLIC FINANCING AUTHORITY
REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
CITY OF BURBANK**

AUTHORITY BOARD/ AGENCY BOARD/ CITY COUNCIL

Stacey Murphy, *Chair/ Chair/Mayor*
Marsha Ramos, *Vice Chair/Vice Chair/Vice Mayor*
Jef Vander Borcht, *Board Member/Board Member/Council Member*
Todd Campbell, *Board Member/Board Member/Council Member*
Dave Golonski, *Board Member/Board Member/Council Member*

AUTHORITY/ AGENCY/ CITY OFFICIALS

Mary J. Alvord, *Authority Executive Director/Agency Executive Director/City Manager*
Donna Anderson, *Authority Treasurer/Agency Treasurer/City Treasurer*
Derek Hanway, *Financial Services Director*
Susan Georgino, *Community Development Director*
Ruth Davidson-Guerra, *Assistant Community Development Director for Housing & Redevelopment*
Jack Lynch, *Senior Redevelopment Project Manager*
Jennifer Mack, *Redevelopment Project Manager*
Margarita Campos, *Authority Secretary/Agency Secretary/City Clerk*
Dennis A. Barlow, *Authority General Counsel/Agency General Counsel/City Attorney*

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No dealer, broker, salesperson or other person has been authorized by the Authority or the Agency to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation may not be relied upon as having been authorized by the Authority or the Agency. This Official Statement does not constitute an offer to sell or a solicitation or an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Authority or the Agency since the date hereof.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the Agency's forecasts in any way, regardless of the level of optimism communicated in the information. The Agency is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "CONTINUING DISCLOSURE" herein.

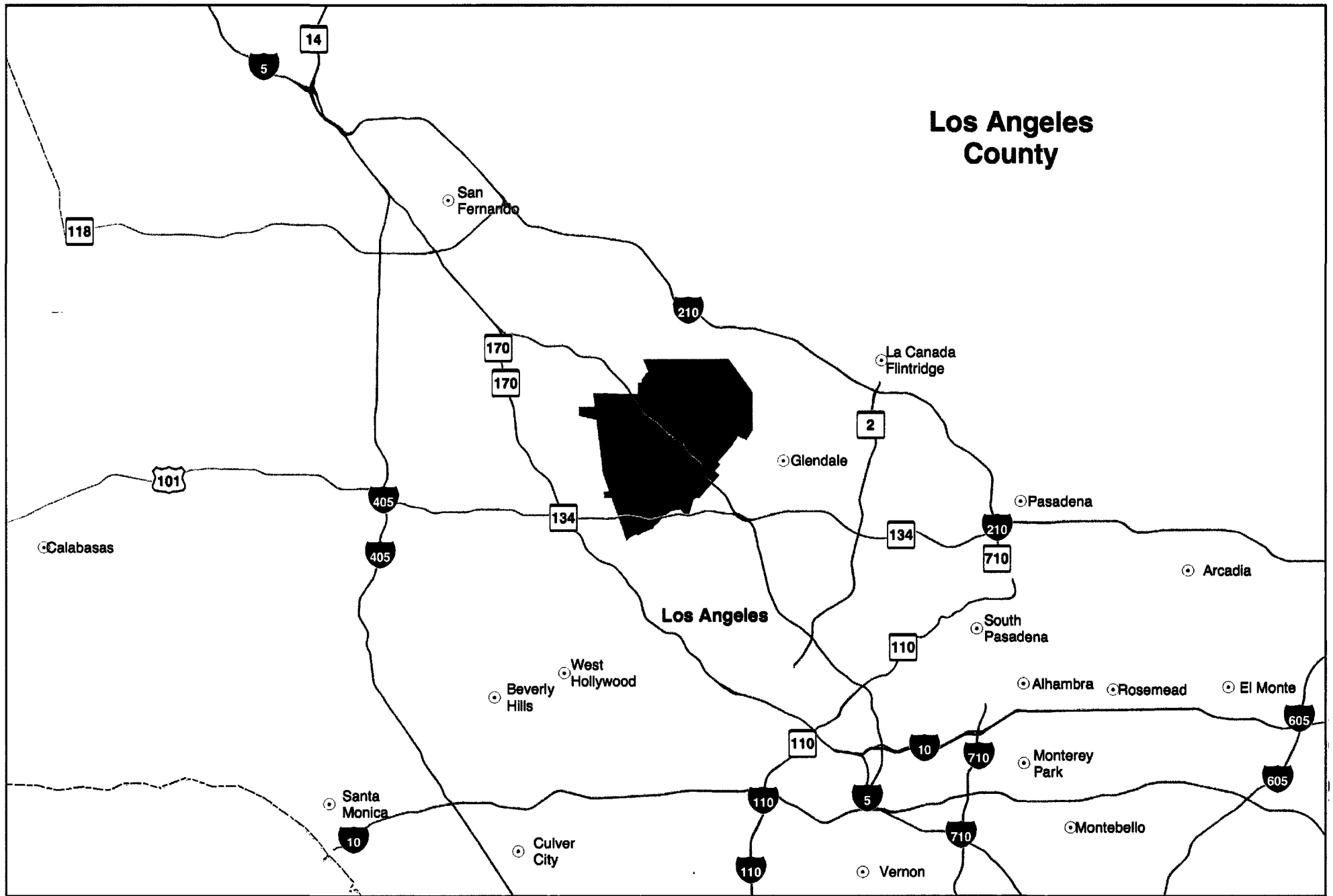
In connection with this offering the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption contained in Section 3(a)(2) of such Act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such Act.

TABLE OF CONTENTS

	Page		Page
INTRODUCTION	1	General.....	19
Definitions and Summaries.....	1	Redevelopment Plan Limitations.....	22
Use of Proceeds.....	1	Redevelopment Projects.....	22
Security for the Bonds.....	2	Assessed Valuation.....	25
The Agency.....	2	Annual Tax Receipts from Tax Levy.....	28
The Project Area.....	2	Appeals of Assessed Values.....	28
The Agency Bonds.....	2	Tax Increment Revenue Projections and Debt	
PLAN OF FINANCE.....	4	Service Coverage.....	30
General.....	4	BONDOWNERS' RISKS	31
Purchase in Lieu of Redemption of Agency		Limited Obligations.....	31
Bonds.....	4	No Acceleration on Default.....	31
Sources and Uses of Funds.....	5	Bankruptcy.....	32
DEBT SERVICE SCHEDULE	5	Loss of Tax Exemption.....	32
THE BONDS.....	6	Risks Related to the Agency Bonds.....	32
General.....	6	LIMITATIONS ON TAX REVENUES.....	36
Description of the Bonds.....	6	Property Tax Limitations – Article XIII A.....	36
Transfer and Exchange	7	Challenges to Article XIII A	37
Mutilated, Lost, Destroyed or Stolen Bonds	7	Implementing Legislation.....	37
Optional Redemption.....	7	Unitary Property	38
General Redemption Provisions.....	7	Property Tax Collection Procedures	39
Notice of Redemption	8	Appropriations Limitations – Article XIII B.....	40
SECURITY FOR THE BONDS	8	State Board of Equalization and Property	
The Indenture.....	8	Assessment Practices.....	40
Agency Bonds	8	Exclusion of Tax Revenues for General	
SECURITY FOR THE AGENCY BONDS	9	Obligation Bonds Debt Service	41
General.....	9	Proposition 218.....	41
Tax Revenues.....	10	AB 1290.....	41
No Senior Debt.....	11	SB211	42
Parity Obligations.....	11	Future Initiatives.....	42
Subordinate Obligations.....	12	Low and Moderate Income Housing.....	42
Low and Moderate Income Housing		Statement of Indebtedness.....	42
Requirements	12	MISCELLANEOUS.....	43
Agency Municipal Bond Insurance Policy.....	13	Tax Matters.....	43
THE AUTHORITY	14	Certain Legal Matters.....	44
THE AGENCY.....	14	Absence of Litigation.....	44
Authority and Management	14	Underwriting.....	44
Agency Powers and Duties.....	15	Verification of Mathematical Calculations	44
Agency Financial Statements.....	19	Continuing Disclosure	45
THE CITY.....	19	Ratings.....	45
THE PROJECT AREA.....	19	Concluding Information.....	45
APPENDIX A	CITY OF BURBANK		
APPENDIX B	SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE		
APPENDIX C	FORM OF BOND COUNSEL OPINION		
APPENDIX D	AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED		
	JUNE 30, 2002		
APPENDIX E	FORM OF CONTINUING DISCLOSURE CERTIFICATE		
APPENDIX F	BOOK-ENTRY ONLY SYSTEM		



Regional Map

5 Miles



OFFICIAL STATEMENT

\$22,015,000

BURBANK PUBLIC FINANCING AUTHORITY Revenue Bonds, 2003 Series C (City Centre Redevelopment Project)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, table of contents and Appendices hereto (collectively, the "Official Statement"), is to provide certain information concerning the \$22,015,000 Burbank Public Financing Authority Revenue Bonds, 2003 Series C (City Centre Redevelopment Project) (the "Bonds"). The Authority is a joint exercise of powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of March 16, 1993 (the "Agreement"), between the City of Burbank (the "City") and the Redevelopment Agency of the City of Burbank (the "Agency"). The Agreement was entered into pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code, commencing with section 6500 (the "Act"). The Bonds are being issued in accordance with Article 4 of the Act (the "Bond Law"), a resolution (the "Resolution") adopted by the Authority on August 19, 2003, and an Indenture of Trust, dated as of October 1, 2003 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee").

Definitions and Summaries

Definitions of certain terms used in this Official Statement are set forth in APPENDIX B—"SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE." This Official Statement contains brief descriptions of, among other things, the Bonds, the Indenture, the Agency Bonds, the Agency Indenture, the Authority, the Agency and the Project Area. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to those documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Indenture. Copies of the Indenture, the Agency Indenture and other documents described in this Official Statement may be obtained from the Trustee.

Use of Proceeds

The proceeds of the Bonds will be used to (a) purchase, on December 1, 2003, the Agency's outstanding Redevelopment Agency of the City of Burbank City Centre Redevelopment Project Tax Allocation Bonds, 1993 Series A (the "Agency Bonds"), (b) fund capitalized interest on the Bonds through December 1, 2003, and (c) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" herein.

The Agency Bonds were issued by the Agency pursuant to an indenture of trust, dated as of March 1, 1990, as amended and supplemented (the "Agency Indenture"), by and between the Agency and Bank of America National Trust and Savings Association, subsequently succeeded by the Trustee. The Agency Bonds were issued pursuant to the California

Community Redevelopment Law, constituting Part 1, Division 24 (commencing with section 33000) of the California Health and Safety Code (the "Redevelopment Law").

Security for the Bonds

The Bonds are limited obligations of the Authority and are payable solely from, and will be secured by, a pledge and assignment under the Indenture of Revenues consisting of (a) all amounts derived from or in respect of the Agency Bonds, including principal prepayments and other payments of principal thereof and interest thereon, and (b) investment earnings on amounts on deposit in certain funds and accounts established under the Indenture, other than the Project Fund and the Costs of Issuance Fund. The Agency Indenture has provisions requiring the establishment and maintenance of a reserve account for the benefit of the Agency Bonds and any additional Parity Obligations. A reserve account has been funded for the Agency Bonds. See "The Agency Bonds" below. **No reserve fund for the Bonds has been established under the Indenture.**

The obligation of the Agency to pay the principal of and interest on the Agency Bonds is secured by a pledge under the Agency Indenture of certain tax increment revenues and other amounts payable to the Agency, consisting primarily of a portion of the taxes levied upon all taxable property within the Agency's City Centre Redevelopment Project (the "Project Area").

The Authority's rights under the Bonds and the Agency Indenture have been assigned to the Trustee as security for the repayment of the Bonds. See "PLAN OF FINANCE" herein.

The Agency

The Agency was activated by the City Council of the City in 1970 under the Redevelopment Law with the adoption of Ordinance No. 2269. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chair of the Agency. See "THE AGENCY" herein.

The Project Area

The City Council of the City adopted a redevelopment plan (the "Redevelopment Plan") for the City Centre Redevelopment Project (the "Project Area") pursuant to Ordinance No. 2315, adopted on October 26, 1971, and was amended in July 1974, December 1986, October 1994 (per Assembly Bill 1290), and February 1999. The Project Area encompasses approximately 212 acres and encompasses City Hall and other City buildings, as well as the Media City Center Mall. The Project Area contains a variety of commercial and residential structures. See "THE PROJECT AREA" and "HISTORICAL AND ESTIMATED TAX REVENUES." Assessed valuations in the Project Area are subject to numerous risks which could result in decreases from those reported for fiscal year 2002-03. See "BONDOWNERS' RISKS" herein.

The Agency Bonds

The primary source of Revenues to repay the Bonds will be the principal and interest paid on the Agency Bonds, and the primary source of revenues to repay the Agency Bonds will

be Tax Revenues pledged under, and as defined in, the Agency Indenture, derived from the Project Area.

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or "base roll," is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (the tax increment revenues) are allocated to the applicable redevelopment agency and may be pledged by the redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated. The Tax Revenues pledged to the repayment of the Agency Bonds under the Agency Indenture include the tax increment revenues paid to the Agency, less that portion required to be deposited to the Agency's Low and Moderate Income Housing Fund. Under the conditions set forth in the Agency Indenture and described herein, the Agency may create additional indebtedness payable on a parity with the Agency's obligations under the Agency Indenture to repay the Agency Bonds. See "SECURITY FOR THE BONDS—The Agency Bonds" herein. The base year for the Project Area (the "Base Year") was established in 1970.

There has been established under the Agency Indenture a reserve account (the "Reserve Account") to secure the payment of principal of and interest on the Agency Bonds. Under the Agency Indenture, the Reserve Account is required to be maintained by the Agency at its "Reserve Requirement." In the event that the Agency receives insufficient Tax Revenues to pay debt service on the Agency Bonds, amounts in the Reserve Account will be drawn upon in the amount of the shortfall. Draws on the Reserve Account are replenished only to the extent that future Tax Revenues received by the Agency will be in excess of debt service on the Agency Bonds. See "SECURITY FOR THE BONDS—The Agency Bonds" herein and APPENDIX B—"SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE—THE AGENCY INDENTURE."

The scheduled payment of principal of and interest on the Agency Bonds when due is guaranteed under a financial guaranty bond (the "Agency Bonds Municipal Bond Insurance Policy") issued by Capital Guaranty Insurance Company ("Capital Guaranty"). All obligations of Capital Guaranty under the Agency Bonds Municipal Bond Insurance Policy have been assumed by Financial Security (the "Agency Bonds Municipal Bond Insurer"). See "PLEDGE OF TAX REVENUES—Agency Bonds Municipal Bond Insurance" herein. **The Agency Bonds Municipal Bond Insurance Policy does not insure the payment of the Bonds.**

NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE AGENCY INDENTURE ARE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE FROM AND SECURED BY AN ASSIGNMENT OF AMOUNTS PAYABLE BY THE AGENCY ON THE AGENCY BONDS. THE OBLIGATIONS OF THE AGENCY UNDER THE AGENCY INDENTURE AND THE AGENCY BONDS ARE

LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE ONLY OUT OF CERTAIN FUNDS OF THE AGENCY AS SET FORTH IN THE AGENCY INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AUTHORITY OR THE AGENCY OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

PLAN OF FINANCE

General

The proceeds of the Bonds will be used to (a) purchase, on December 1, 2003, the Agency Bonds, (b) fund capitalized interest on the Bonds through December 1, 2003, and (c) fund the Costs of Issuance Fund.

Purchase in Lieu of Redemption of Agency Bonds

Pursuant to the terms of an assignment and purchase agreement with respect to the Agency Bonds, among the Authority, the Agency and the Trustee (the "Agency Bonds Assignment and Purchase Agreement"), the Agency will call the Agency Bonds for redemption on December 1, 2003, and will assign its rights to purchase the Agency Bonds in lieu of the redemption thereof to the Authority. A portion of the proceeds of the Bonds will be deposited in the Purchase Fund and invested in direct obligations of the United States in an amount which, together with investment earnings thereon, will be sufficient to purchase the Agency Bonds in lieu of the redemption thereof to the Authority on December 1, 2003, at 102% of the principal amount thereof. Following purchase by the Authority, the Agency Bonds will remain outstanding under the Agency Indenture, will be irrevocably assigned to the Trustee pursuant to the Agency Bonds Assignment and Purchase Agreement, and will be held by the Trustee as part of the security for the Bonds. Prior to December 1, 2003, the Agency Bonds will not provide any part of the security for the Bonds.

The purchase in lieu of redemption of the Agency Bonds will constitute a refunding for purposes of applicable federal tax law, even though the Agency Bonds will remain outstanding under the Agency Indenture.

Sources and Uses of Funds

The estimated sources and uses of the Bonds are as follows:

Sources:

Principal Amount of Bonds	\$22,015,000.00
Less: Net Original Issue Discount	(35,911.30)
Less: Underwriter's Discount	<u>(118,800.00)</u>
Total Sources	<u>\$21,860,288.70</u>

Uses:

Deposit in Purchase Fund (1)	\$21,507,849.45
Deposit in Interest Account (2)	120,781.92
Deposit in Costs of Issuance (3)	<u>231,657.33</u>
Total Uses	<u>\$21,860,288.70</u>

- (1) The amount deposited in the Purchase Fund will be applied to the purchase of the Agency Bonds on December 1, 2003. See "PLAN OF FINANCE" herein
- (2) Represents capitalized interest on the Bonds through December 1, 2003.
- (3) The amount deposited in the Costs of Issuance Fund will be used to pay legal fees, financial advisor fees and other costs of issuance.

DEBT SERVICE SCHEDULE

The following table shows the annual principal and interest payments to be made by the Agency on the Agency Bonds, the annual principal and interest payments to be made by the Authority on the Bonds and the total excess amounts that will be rebated by the Authority to the Agency in each year. These amounts do not include the debt service payable prior to December 1, 2003.

Maturity Dec. 1	Agency Bonds			Bonds			Excess (1)
	Principal	Interest	Total	Principal	Interest	Total	
2004	\$ 635,000	\$1,124,490.00	\$1,759,490.00	\$ 810,000	\$836,182.50	\$1,646,182.50	\$113,307.50
2005	665,000	1,090,835.00	1,755,835.00	825,000	811,882.50	1,636,882.50	118,952.50
2006	705,000	1,054,925.00	1,759,925.00	850,000	795,382.50	1,645,382.50	114,542.50
2007	740,000	1,019,675.00	1,759,675.00	865,000	778,382.50	1,643,382.50	116,292.50
2008	775,000	982,675.00	1,757,675.00	885,000	756,757.50	1,641,757.50	115,917.50
2009	815,000	943,925.00	1,758,925.00	910,000	737,287.50	1,647,287.50	111,637.50
2010	855,000	903,175.00	1,758,175.00	935,000	709,987.50	1,644,987.50	113,187.50
2011	900,000	860,425.00	1,760,425.00	965,000	679,600.00	1,644,600.00	115,825.00
2012	940,000	815,425.00	1,755,425.00	995,000	648,237.50	1,643,237.50	112,187.50
2013	990,000	768,425.00	1,758,425.00	1,030,000	613,412.50	1,643,412.50	115,012.50
2014	1,040,000	718,925.00	1,758,925.00	1,070,000	576,332.50	1,646,332.50	112,592.50
2015	1,090,000	666,925.00	1,756,925.00	1,110,000	534,602.50	1,644,602.50	112,322.50
2016	1,145,000	612,425.00	1,757,425.00	1,150,000	490,202.50	1,640,202.50	117,222.50
2017	1,210,000	549,450.00	1,759,450.00	1,200,000	442,765.00	1,642,765.00	116,685.00
2018	1,275,000	482,900.00	1,757,900.00	1,250,000	391,765.00	1,641,765.00	116,135.00
2019	1,345,000	412,775.00	1,757,775.00	1,305,000	337,077.50	1,642,077.50	115,697.50
2020	1,420,000	338,800.00	1,758,800.00	1,370,000	277,047.50	1,647,047.50	111,752.50
2021	1,495,000	260,700.00	1,755,700.00	1,430,000	213,342.50	1,643,342.50	112,357.50
2022	1,580,000	178,475.00	1,758,475.00	1,495,000	146,132.50	1,641,132.50	117,342.50
2023	1,665,000	91,575.00	1,756,575.00	1,565,000	75,120.00	1,640,120.00	116,455.00

(1) Debt service paid on the Agency Bonds will be greater than the amount required for the payment of debt service on the Bonds. The excess amount will be transferred to the Agency at the end of each year.

THE BONDS

General

Under the Indenture, all of the Authority's right, title and interest in and to the Agency's payments of principal and interest on the Agency Bonds are pledged to secure the payment of the principal of, premium, if any, and interest on the Bonds, and such payments constitute the sole source of payment of principal of, premium, if any, and interest payable on the Bonds (except to the extent of certain amounts, including the proceeds of the Bonds, held in certain funds under the Indenture and investment earnings thereon, available for such payment).

Description of the Bonds

The Bonds will be issued in the form of fully registered bonds without coupons and in denominations of \$5,000 or any integral multiple thereof.

The Bonds will be dated their date of delivery. The Bonds will bear interest at the rates per annum and will mature, subject to redemption provisions set forth below, on the dates and in the principal amounts all as set forth on the inside cover page hereof. If the Bonds are not in book-entry form, then principal of the Bonds and any redemption premium are payable upon presentation and surrender thereof, at maturity or upon prior redemption thereof, at the corporate trust office of the Trustee in Los Angeles, California.

Interest on the Bonds will be payable on June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing December 1, 2003. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (a) it is authenticated on or prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) it is authenticated on or before the first record date for such series of the Bonds, in which event it shall bear interest from the closing date for the respective series of the Bonds or (c) if interest is in default with respect to a Bond, such Bond shall bear interest from the date to which interest has been previously paid thereon.

The Bonds, when issued, will be registered in the name of Cede & Co. as the registered owner and nominee of DTC. DTC will act as a securities depository for the Bonds. Individual purchases may be made in book-entry-only form. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds so purchased. **So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein and in the Indenture to the owners of the Bonds or Bond owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.** In this Official Statement, the term "Beneficial Owner" or "purchaser" shall mean the person for whom the DTC Participant acquires an interest in the Bonds. See APPENDIX F – "BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange

If the Bonds are not in book-entry form, then the Bonds may be transferred or exchanged at the principal corporate trust office of the Trustee in Los Angeles, California, provided that the Trustee shall not be required to register the transfer or exchange of (a) any Bonds during the period established by the Trustee for selection of such Bonds for redemption, or (b) any such Bond selected by the Trustee for redemption pursuant to the Indenture.

Mutilated, Lost, Destroyed or Stolen Bonds

The Authority and the Trustee shall, under certain circumstances, including, in certain cases, the provision of indemnity to the Trustee, replace Bonds which have been mutilated, lost, destroyed or stolen. The Authority may require payment of a reasonable fee and of the expenses which may be incurred by the Authority and the Trustee for each such new Bond issued to replace a Bond which has been mutilated, lost, destroyed or stolen.

Optional Redemption

The Bonds maturing on or after December 1, 2014, are subject to redemption, at the option of the Authority, on any date on or after December 1, 2013, as a whole, or in part by such maturity or maturities as directed by the Authority (or in the absence of such direction, pro rata by maturity) and by lot within a maturity, from any available moneys, including from the optional redemption by the Agency of Agency Bonds, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, together with accrued interest to the date of redemption.

In the event the Authority determines to redeem Bonds, the Agency or the Authority will immediately inform the Trustee of such redemption and the Trustee will concurrently mail notice of the redemption of such Bonds. In the event that the Agency or the Authority receives notice of the redemption of any Agency Bonds, the Agency or the Authority will immediately inform the Trustee of such redemption and the Trustee will concurrently mail notice of the redemption of Bonds, such redemption to occur on the date fixed for such redemption of the Agency Bonds. The proceeds of any such redemption of the Agency Bonds will be applied by the Trustee to pay the redemption price of the Bonds pursuant to the Indenture. The redemption price of redeemed Agency Bonds will be calculated at such amount that the remaining scheduled payments of principal and interest on the Agency Bonds, together with other available Revenues, will be sufficient on a timely basis to pay debt service on the Bonds, as shall be demonstrated in a report of an Independent Financial Consultant filed with the Trustee at the time of such redemption.

General Redemption Provisions

For purposes of selecting Bonds for redemption, the Bonds will be deemed to be composed of \$5,000 portions and any such portions may be redeemed separately. If less than all of the Bonds of any maturity are called for redemption at any one time, and so long as the Bonds are in book-entry form with DTC as the owner, DTC will determine by lot the amount of interests of each Direct Participant in such maturity to be redeemed. In the case of a partial redemption of Bonds as described above, the Trustee, if the Bonds are no longer held in book-

entry form, will select Bonds within each maturity to be redeemed by lot in any manner which the Trustee deems fair.

Notice of Redemption

Notice of redemption will be mailed no less than twenty (20) nor more than sixty (60) days prior to the redemption date to the Securities Depositories and one or more Information Services specified in the Indenture, and to the respective registered owners of the Bonds designated for redemption at their addresses appearing on the Bond registration books. Neither failure to receive such notice nor any defect in the notice so mailed nor any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner to notify the Beneficial Owner so affected will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of interest on the redemption date.

Unless the book-entry-only system shall have been discontinued, the Authority and the Trustee will recognize only DTC or its nominee as a Bond Owner. Conveyance of notices and other communications by DTC to DTC Participants and by DTC Participants to Beneficial Owners will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time.

From and after the date fixed for redemption, if funds available for the payment of the principal of, premium, if any, and interest on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice.

SECURITY FOR THE BONDS

The Indenture

The Bonds are limited obligations of the Authority entitled to the benefits of the Indenture and are payable solely from and secured by the funds and accounts pledged therefore and held by the Trustee pursuant to the Indenture (other than amounts in the Costs of Issuance Fund) and from an assignment and pledge of the Authority's interest in the payments of principal and interest made by the Agency on the Agency Bonds. See APPENDIX B—"SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE—THE INDENTURE." The payment of principal of and interest on the Agency Bonds is secured by a pledge of the Tax Revenues under the Agency Indenture. See "PLEDGE OF TAX REVENUES" herein.

Agency Bonds

The Agency Bonds, and any Parity Obligations issued under the Agency Indenture, are secured by a pledge of and first lien on the Tax Revenues allocated and paid to the Agency from the Project Area. The Agency Bonds are secured additionally by a pledge of and lien upon all of the moneys in the Reserve Account established pursuant to the Agency Indenture. See APPENDIX B—"SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE—THE AGENCY INDENTURE."

The Agency Indenture provides for a Reserve Account, funded from Agency Bond proceeds and required to be maintained at an amount equal to the lesser of (i) 10% of the outstanding principal amount of the respective series of the Agency Bonds, (ii) 100% of Maximum Annual Debt Service on the respective series of the Agency Bonds, or (iii) 125% of the remaining Average Annual Debt Service on the respective series of the Agency Bonds (the "Reserve Requirement").

Funds in the Reserve Account will be used to make payments of interest and principal due on the Agency Bonds if amounts in the Interest Account or Principal Account of the Debt Service Fund established under the Agency Indenture are not sufficient to make such interest or principal payments. See APPENDIX B—"SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE—THE AGENCY INDENTURE—Reserve Account." Pursuant to the Agency Indenture, the Agency has reserved the right, with respect to all or any portion of the Reserve Requirement for the Agency Bonds to substitute, at any time and from time to time, one or more Qualified Reserve Account Credit Instruments for cash or any Qualified Reserve Account Credit Instrument then on deposit or held in the Reserve Account.

The scheduled payment of principal of and interest on the Agency Bonds when due is guaranteed under the Agency Bonds Municipal Bond Insurance Policy. See "PLEDGE OF TAX REVENUES—Agency Bonds Municipal Bond Insurance" herein. **The Agency Bonds Municipal Bond Insurance Policy does not insure the payment of the Bonds.**

Under the terms of the Agency Indenture, the Agency may issue or incur Parity Obligations with respect to the Project Areas. See "PLEDGE OF TAX REVENUES—Parity Obligations" herein.

SECURITY FOR THE AGENCY BONDS

General

The Redevelopment Law authorizes the financing and refinancing of redevelopment projects through the use of tax revenues. This method provides that the taxable valuation of the property within a project area on the property tax roll last equalized prior to the effective date of the ordinance that adopts the redevelopment plan becomes the base year valuation. Thereafter, the increase in taxable valuation becomes the increment upon which taxes are levied and allocated to the applicable agency. Redevelopment agencies have no authority to levy property taxes, but must instead rely on this allocation of tax revenues to finance their activities.

Pledge and Allocation of Taxes. Under provisions of the California Constitution and the Redevelopment Law, taxes levied upon taxable property in each redevelopment project area each year by or for the benefit of the State, any city, county, city and county or other public corporation ("taxing agencies") for fiscal years beginning after the effective date of the ordinance approving the respective redevelopment plan (the "Effective Date"), are divided as follows:

- (a) The portion equal to the amount of those taxes which would have been produced by the current tax rate, applied to the assessed value of the taxable property in

the redevelopment project areas as last equalized prior to the Effective Date is paid (when collected) into the funds of those respective taxing agencies as taxes by or for such taxing agencies;

(b) Except as provided in subparagraph (c) below, that portion of such levied taxes each year in excess of such amount is allocated to and when collected paid into a special fund of the agency, to the extent required to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed or otherwise) incurred by the agency to finance or refinance, in whole or in part, (i) the agency's redevelopment projects within the redevelopment project area, and (ii) under certain circumstances, publicly owned improvements outside of the redevelopment project area; and

(c) That portion of the taxes identified in subparagraph (b) above that are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of principal of, and the interest on, any bonded indebtedness for the acquisition or improvement of real property approved by the voters of the taxing agency on or after January 1, 1989, shall be allocated to, and when collected shall be paid into, the fund of the taxing agency.

Possible Limitations on Tax Revenues. The Authority and the Agency have no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies that have the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay the Agency's obligations and thus reduce the amount of Revenues available to pay the principal of and interest on the Agency Bonds and, therefore, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BONDOWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES" herein.

Tax Revenues

The term "Tax Revenues" as defined in the Agency Indenture means all taxes annually allocated and paid to the Agency with respect to the Project Area pursuant to the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan for the Project Area, including all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations or attributable to modifications in the method for allocating ad valorem taxes; excluding, however, (i) Tax Revenues which are required by Section 33334.2 of the Redevelopment Law to be used by the Agency for increasing and improving the supply of low and moderate income housing, and (ii) amounts payable by the Agency under any agreements entered into pursuant to Section 33401 of the Redevelopment Law and the applicable Agency Indenture, but only to the extent such amounts are not subordinated to the payment of Annual Debt Service on the Agency Bonds by the respective terms thereof. According to the Agency, there are, at present, no such agreements described in the preceding clause (ii) that were entered into prior to the date of issuance of the Agency Bonds.

The Agency Bonds are secured by and payable from the Tax Revenues from the Project Area and the amounts held in the Reserve Account established under the Agency Indenture.

The Tax Revenues from the Project Area represent the first amounts to be allocated from the increased tax revenues allocable to the Agency based on an increase in taxable valuation over the base year valuation property tax roll of the property within the Project Area.

In the event there shall be, on any Interest Payment Date, insufficient Tax Revenues and moneys in the Reserve Account to pay when due the full amount required to be paid on the Agency Bonds in accordance with the applicable provisions of the Agency Indenture.

No Senior Debt

The Agency may not issue bonds secured by a lien on Tax Revenues senior to the Agency Bonds.

Parity Obligations

In addition to the Agency Bonds, the Agency may issue or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the Agency Bonds to finance the Project Area in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Obligations subject to the following specific conditions and the conditions all of which are conditions precedent to the issuance and delivery of such Parity Obligations:

(a) The Agency shall be in compliance with all covenants set forth in the Agency Indenture;

(b) The Tax Revenues for the then current Bond Year, based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County, plus, at the option of the Agency, the Additional Allowance, less the Tax Revenues attributable to the assessed valuation of the Media City Centre Project, shall be, as certified by an Independent Redevelopment Consultant, at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on all Bonds and Parity Obligations which will be Outstanding following the issuance of such Parity Obligations. If the Agency proposes to issue variable rate Parity Obligations, the interest on such Parity Obligations shall be assumed to be the maximum interest rate allowable under document authorizing such Parity Obligations;

(c) The document providing for the issuance of such Parity Obligations under shall provide that:

(i) interest on such Parity Obligations will be payable on June 1 and December 1 in each year of the term of such Parity Obligations except the first twelve month period, during which interest may be payable on any June 1 or December 1;

(ii) the principal of such Parity Obligations will be payable on December 1 in any year in which principal is payable; and

(iii) money will be deposited in the Reserve Account from the proceeds of the sale of such Parity Obligations in an amount necessary to increase the amount in the Reserve Account to the Reserve Requirement, taking into account the issuance or incurrence of the Parity Obligations;

(d) The document providing for the issuance of such Parity Obligations may provide for the establishment of separate funds and accounts; and

(e) The aggregate amount of the principal of and interest on all Outstanding Agency Bonds, Parity Obligations and Subordinate Obligations coming due and payable following the issuance of such Parity Obligations may not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Obligations;

For purposes of calculation of the Tax Revenues in paragraph (b) above in connection with the issuance of Parity Obligations, Tax Revenues shall be equal to the most recent certified assessed valuation for the Project Area, less the Base Year assessed valuation times a 1% tax rate.

Subordinate Obligations

In addition to the Agency Bonds and any Parity Obligations, the Agency may issue or incur Subordinate Obligations in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Subordinate Obligations subject to the following specific conditions which are conditions precedent to the issuance and delivery of such Subordinate Obligations:

(a) The Agency shall be in compliance with all covenants set forth in the Agency Indenture; and

(b) The aggregate amount of the principal of and interest on all Outstanding Agency Bonds, Parity Obligations and Subordinate Obligations coming due and payable following the issuance of such Subordinate Obligations shall not exceed the maximum amount of tax increment revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Obligations.

Low and Moderate Income Housing Requirements

Sections 33334.2 and 33334.3 of the Redevelopment Law require redevelopment agencies to set aside not less than 20% of all tax revenues derived from a redevelopment project area for which a final redevelopment plan has been adopted on or after January 1, 1977 or for any area which has been added to a project area by amendment to a redevelopment plan adopted on or after January 1, 1977 in a low and moderate income housing fund. Section 33334.2 provides that this low and moderate income housing requirement can be reduced or eliminated if a redevelopment agency finds annually by resolution the following: (a) that, consistent with the housing element of the community's general plan, no need exists in the community to improve or increase the supply of low and moderate income housing in a manner which would benefit the project area; (b) that, consistent with the housing element of the community's general plan, some stated percentage less than 20% of the tax revenues is sufficient to meet the housing needs

of the community; or (c) that the community is making substantial efforts of equivalent impact, consisting of direct financial contributions of funds from local, State and federal sources for low- and moderate-income housing, to meet its existing and projected housing needs (including its share of regional housing needs).

The Project Area is subject to the set aside of 20% of Tax Revenues for low and moderate income housing.

Tax Revenues do not include that portion of tax increment revenues derived from the Project Area that are to be deposited by law into the Agency's Low and Moderate Income Fund pursuant to the Redevelopment Law.

Agency Bonds Municipal Bond Insurance Policy

The Agency Bonds Municipal Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Agency Bonds.

The Agency Bonds Municipal Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,986,068,000 and its total unearned premium reserve was approximately \$1,195,179,000 in accordance with statutory accounting practices. At June 30, 2003, Financial Security's total shareholders' equity was approximately \$2,152,547,000 and its total net unearned premium reserve was approximately \$1,010,472,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Agency Bonds Municipal Bond Insurance Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding this Official Statement, nor has it

participated in the preparation hereof, except that Financial Security has provided to the Authority the information presented under this caption for inclusion in this Official Statement.

The Agency Bonds Municipal Bond Insurance Policy does not insure the payment of the Bonds.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement dated March 16, 1993, by and between the City and the Agency in accordance with the provisions of the Act. The Authority was created to provide financing for public capital improvements for the City and the Agency. Under the Act, the Authority has the power to issue bonds to pay the cost of any public capital improvement.

THE AGENCY

Authority and Management

The Agency was activated by the City Council of the City in 1970 under the Redevelopment Law with the adoption of Ordinance No. 2269. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as Chair of the Agency.

The administrative officers of the Agency are as follows:

Mary J. Alvord, *Executive Director*. Ms. Alvord began as the City Manager of the City on March 25, 2003. Her career with the City spans 33 years in various positions. Ms. Alvord's most recent position, prior to being appointed City Manager, was Assistant City Manager from 2000-2003. Before this position, she was the Park and Recreation Director from 1991-2000, the Assistant Park and Recreation Director from 1990-1991, an Administrative Analyst II from 1988-1990, and a Recreation Supervisor from 1984-1988. She has also held the positions of Principal Recreation Leader from 1979-1984, Recreation Leader from 1973-1979 and Junior Recreation Leader from 1970-1973. Ms. Alvord received her Bachelor's Degree in Sociology from California State University, Northridge, in June 1972. In 1973 she also earned an Elementary School Teaching Credential. Her professional involvement includes Past President and current Member, National Management Association, a member of the Domestic Violence Task Force, a member of the San Gabriel Valley City Manager's Association, a member of the International City/County Management Association and a member of the Municipal Management Association of Southern California. Ms. Alvord received the Boys and Girls Club Golden Achievement Award in May 2003.

Derek Hanway, *Financial Services Director*. Mr. Hanway began as Financial Services Director of the City in March 1997. Mr. Hanway's most recent position, prior to coming to the City, was Director of Finance of the City of Alhambra from June 1990 to March 1997. Before this position, he was a Senior Manager at KPMG Peat Marwick from 1978 to 1990. Mr. Hanway received his Bachelors of Science degree in Business Administration from Ambassador College and his Masters in Business Administration degree with a concentration in Accounting from California State University, Los Angeles. He is a Certified Public Accountant. His professional

involvement includes American Institute of Certified Public Accountants, Governmental Finance Officers' Association of the United States and Canada, and California Society of Municipal Finance Officers (CSMFO). In 2000, he served as President of CSMFO and currently serves as co-chair of its California Committee on Municipal Accounting.

Susan Georgino, *Community Development Director*. Ms. Georgino began as Community Development Director of the Agency in 2001. Her responsibilities include the oversight of the six divisions that make up the Community Development Department which include Redevelopment, Economic Development, & Housing, Planning, Building, Administration, Transportation, and License & Code Services. Ms. Georgino's most recent position, prior to coming to the Agency, was Redevelopment Services Director of the City of Brea from 1989 to 2000. Before that position she served as Assistant Community Development Director of the Agency from 1988 to 1989, various other positions in the City from 1981 to 1988 and was Deputy Executive Director of the Maravilla Foundation from 1975 to 1981. Ms. Georgino received her Bachelor's Degree in Sociology and her Master's of Public Administration degree from California State University, Los Angeles, and her Master's of Theology degree from Mount Saint Mary College. Her professional involvement includes Board of Directors, California Redevelopment Association, Board of Directors, Southern California Housing Corporation, Member, Lambda Alpha International, Member, Counselors of Real Estate, and Member, California Economic Development Association.

Ruth Davidson-Guerra, *Assistant Community Development Director for Housing and Redevelopment*. Ms. Davidson-Guerra was appointed to the position of Assistant Community Development Director within the past year. Prior to that, since 1991, she served in a variety of positions within the Burbank Community Development Department, working in three of the six Divisions (Planning, Transportation and Housing and Redevelopment). Before coming to the City of Burbank, Ms. Davidson-Guerra worked in several areas of real estate development. She worked for the private sector as a project planner and landscape designer. She also has additional public-sector experience as the past Growth Management Coordinator for the United States Postal Service in Southern California's Inland Empire. Ms. Davidson-Guerra holds a Master's Degree in Planning and Real Estate Development from the University of Southern California and a Bachelor's Degree in Urban Studies from California State University, Northridge. Her professional affiliations include the Urban Land Institute, National Management Association and Los Angeles Business Alliance.

Agency Powers and Duties

All powers of the Agency are vested in its five members. Under the Redevelopment Law, the Agency is a separate public body and exercises governmental functions in executing duly adopted redevelopment projects. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop and sell or lease property, including the right to acquire property through the power of eminent domain, and the right to issue bonds and expend the proceeds. The Agency itself does not have the power to levy taxes. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

The Agency can cause streets and highways to be laid out and graded, and pavements, sidewalks and public utilities to be constructed and installed and can develop as a building site any real property owned or acquired. With the exception of publicly owned structures and facilities benefiting the Project Area and affordable housing projects, the Agency itself cannot construct any buildings contemplated under the Redevelopment Plan, but must convey property in the Project Area by sale or lease, for private development in conformity with the Redevelopment Plan and within any time limit fixed by the Agency for the redevelopment to occur. The Agency may, out of any funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated, to the extent that such improvements are of benefit to the Project Area, no other reasonable means of financing is available to the City, the improvements will assist in the elimination of one or more blighting conditions in the project area, and the improvements are consistent with an implementation plan that the Agency is required to adopt pursuant to the Redevelopment Law.

The Agency has designated four project areas, the highlights of which are as follows:

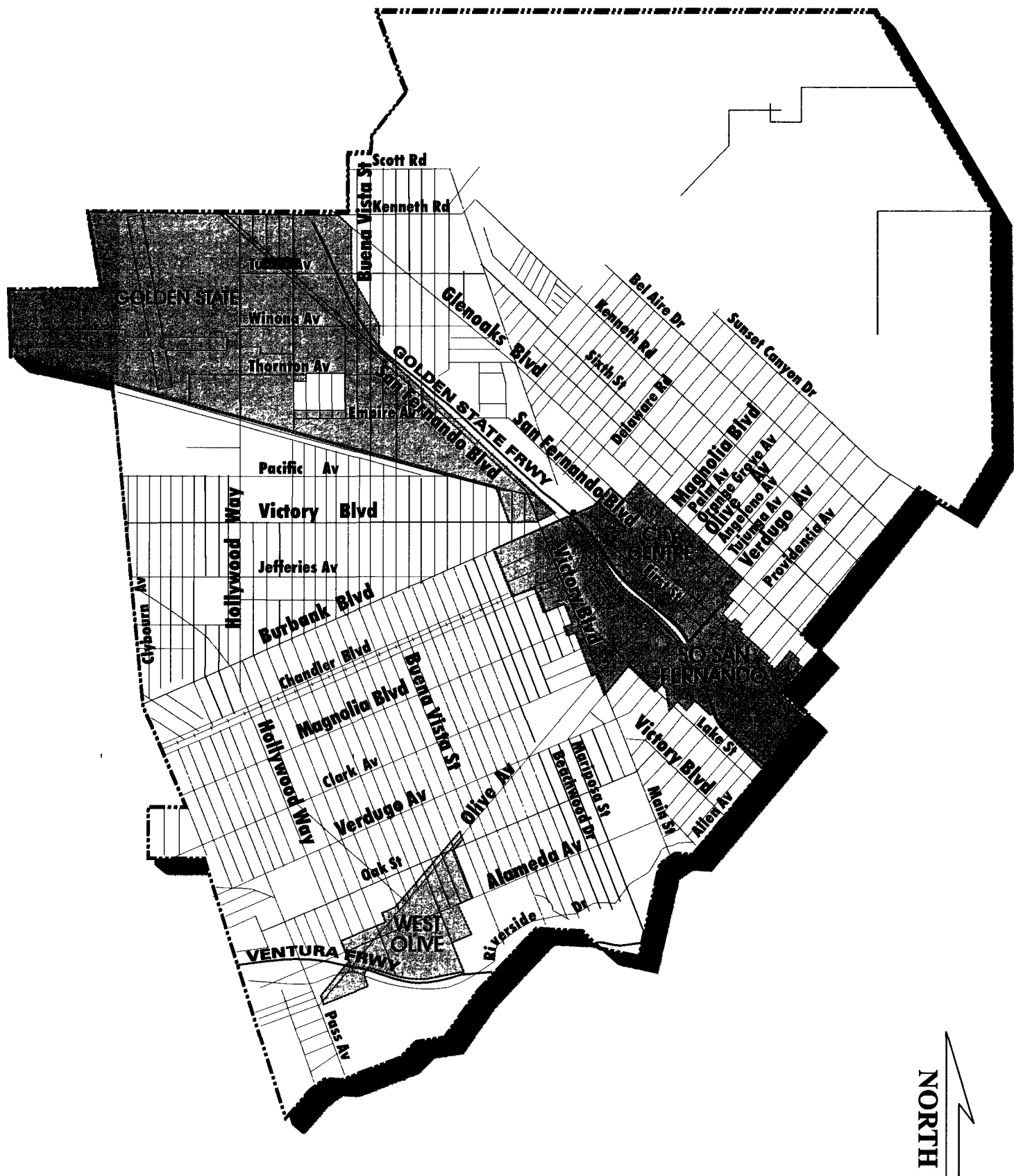
- *Golden State Project Area*—This project area, which encompasses approximately 1,107 acres, was adopted by the Burbank City Council in December 1970. The Plan was subsequently amended in January 1973 and in December 1986 to establish certain time limits and financial limits. It was last amended in October 1994 to establish certain time and financial limitations imposed by the passage of Assembly Bill 1290. The project area includes the Burbank-Glendale-Pasadena Airport and surrounding area adjacent to the Golden State Freeway. The numerous parcels that comprise this project area include removal of substandard buildings, elimination of environmental deficiencies, restructuring of obsolete street patterns and odd-shaped lot patterns, creation of new sites for commercial and industrial development, and expansion of employment opportunities.

- *City Centre Project Area*—This project area, which encompasses approximately 212 acres, was adopted by the Burbank City Council in October 1971, and was amended in July 1974, December 1986, October 1994 (per Assembly Bill 1290), and February 1999. The area encompasses City Hall and other City buildings, as well as the Media City Center Mall. The project area contains a variety of commercial and residential structures. Objectives of the City Centre Project include expansion of retail business, development of mixed-use housing and commercial facilities, elimination of detrimental land use and environmental deficiencies, and provision for overall beautification of the Burbank downtown area. See "THE PROJECT AREA" herein.

- *West Olive Project Area*—This project area, which encompasses approximately 128 acres, was originally adopted in December 1976, subsequently amended in October 1994 to establish certain time and financial limitations imposed by the passage of Assembly Bill 1290, and most recently amended in June 2001 to confirm the dollar amount of the Plan's tax increment cap at \$60,000,000 net of taxing agency pass through payments and housing set aside amounts and to confirm the Project Area's time frame to collect tax increment revenue and incur debt. The Project Area consists of a mixture of residential, commercial, and media-related commercial and industrial facilities. The project encompasses the City's major medical center and several large movie, radio, and television studios. The focus of the West Olive Project has been to work with existing property owners toward upgrading and developing their facilities. The Agency has also provided for traffic reconfiguration and improvements (the Agency recently adopted a public improvement project list as part of the 2001 Plan amendment).

- *South San Fernando Project*—This project area, which encompasses approximately 467 acres, was adopted in June 1997. The project area consists primarily of commercial and industrial property with very little residential. The project area was formed to eliminate blight, encourage development of properties that incorporate or support the use of integrated intermodal, City-wide transportation, and to remove impediments to development by assembling properties into reasonable sizes and shapes. Particular attention is focused on redevelopment of the various "Opportunity Sites" within the project area, as well as working with existing property and business owners to redevelop and revitalize the project area. Other goals in the project area are to expand the commercial base, improve public facilities and public infrastructure, promote local employment opportunities, and to encourage the development, rehabilitation, and preservation of the housing stock.

A map of the City, highlighting the four project areas, is shown on the following page:



BURBANK REDEVELOPMENT PROJECT AREAS

Agency Financial Statements

The Agency presently accounts for its financial transactions through various separately constituted funds and three account groups. The Agency's audited annual financial statements for the fiscal year ended June 30, 2002, are included in APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 2002."

THE CITY

The City is located in the greater metropolitan Los Angeles area, approximately twelve miles northeast of downtown Los Angeles. The City was incorporated as a general law city on July 8, 1911, and adopted its city charter on January 13, 1927. The City's population as of January 1, 2003, is estimated to be 104,497. The City provides its residents with electric, water, sewer and refuse collection utilities and operates its own police and fire departments. See APPENDIX A – "CITY OF BURBANK."

THE PROJECT AREA

The following is a summary description of the Project Area. Included within this descriptions are sections discussing the present and current conditions of the Project Area and the future development within the Project Area. These descriptions have been supplied by the Agency. There can be no assurance that the future developments discussed below will be completed in the manner or in the time periods set forth.

General

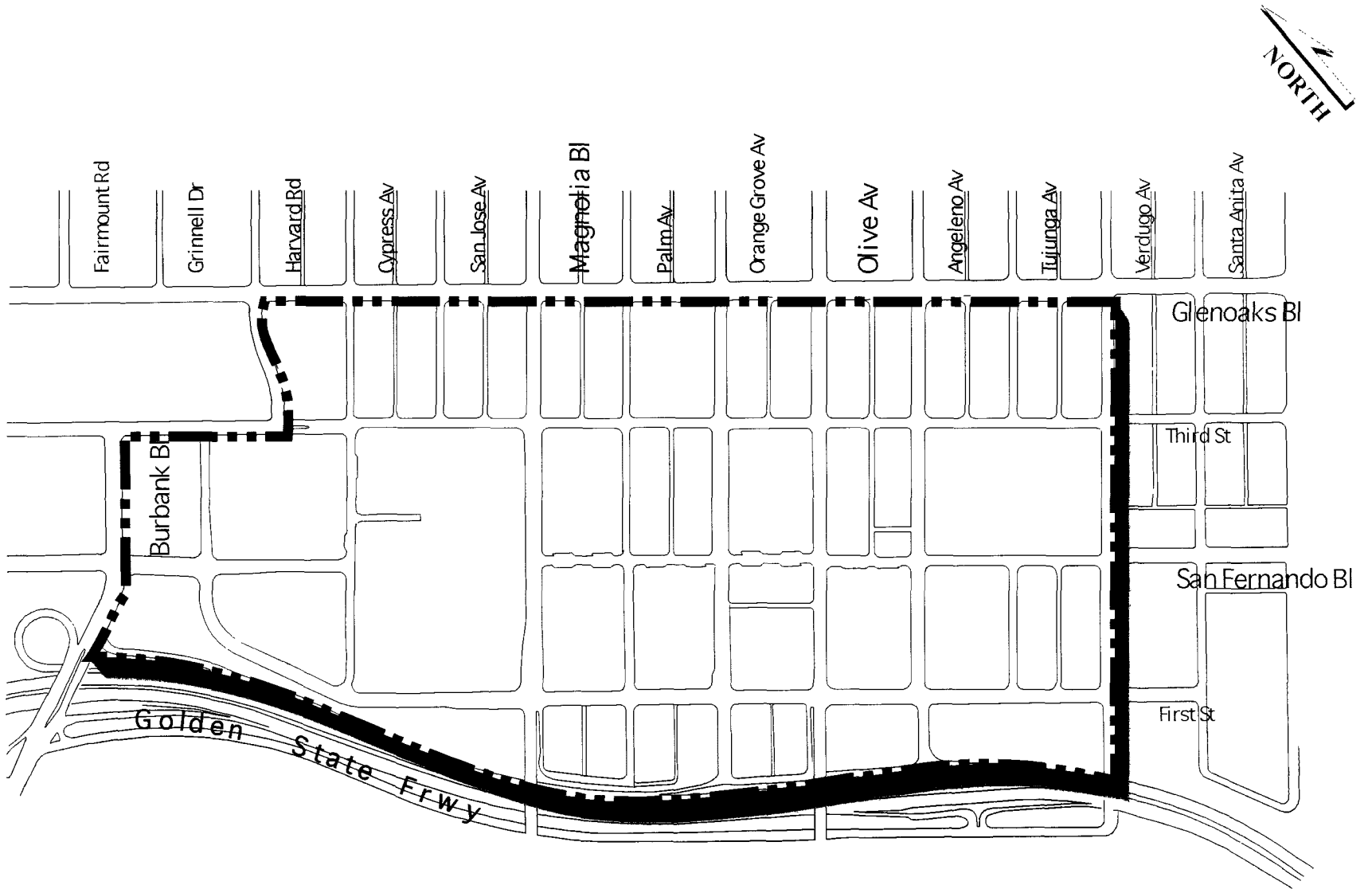
The Agency adopted the Redevelopment Plan for the Project Area, as described in the Redevelopment Plan, on October 26, 1971, by adoption of Ordinance No. 2315, as amended by Ordinance No. 2452, adopted by the City Council of the City on August 6, 1974, as amended by Ordinance No. 3052, adopted by the City Council of the City on December 10, 1986, as amended by Ordinance No. 3387, adopted by the City Council of the City on October 11, 1994, and as further amended by Ordinance No. 3510, adopted by the City Council of the City on February 2, 1999. The Project Area consists of approximately 212 acres or approximately 1.9% percent of the land area of the City. The total assessed valuation of taxable property in the Project Area in fiscal year 2003-04 is approximately \$676,093,340, with approximately \$637,713,520 of such amount representing incremental assessed value in excess of the adjusted assessed valuation in the Base Year.

All real property in the Project Area is subject to the controls and restrictions of the Redevelopment Plan. The Redevelopment Plan requires that new construction shall comply with all applicable State statutes and local laws in effect, including, but not limited to, fire, building, electrical, heating, and zoning codes of the City. The Redevelopment Plan allows for commercial, residential and public uses within the Project Area. The Agency may permit an existing but nonconforming use to remain so long as the existing building is in good condition and is generally compatible with the development and uses in the Project Area. The owner of any property with a nonconforming use must be willing to enter into an owner participation

agreement with the Agency and agree to the imposition of such reasonable restrictions as are necessary to protect the development and use of the Project Area.

Within the limits, restrictions and controls established in the Redevelopment Plan, the Agency is authorized to establish land coverage, setback requirements, design criteria, and other development and design controls necessary for the proper development of both private and public areas within the Project Area. However, land uses must, in any case, conform to the City's general plan as it currently exists and as it may exist in the future.

A map of the Project Area is shown on the following page:



CITY CENTRE REDEVELOPMENT PROJECT AREA



Redevelopment Plan Limitations

Sections 33333.2 and 33333.4 of the Redevelopment Law requires each redevelopment agency to either include in each redevelopment plan or to adopt by ordinance a limitation on the amount of taxes that may be divided and allocated to the redevelopment agency with respect to the related redevelopment project area. Under Section 33333.2, taxes may not be allocated to a redevelopment agency beyond this limitation except by amendment of the redevelopment plan.

The following table sets forth the applicable limits for the Project Area:

Plan Life:	October 26, 2011
Last Date to Establish Debt:	January 1, 2004
Last Date to Repay Debt:	October 26, 2021*
Cumulative Tax Increment Limit**:	\$3,113,128,833
Bonded Indebtedness Limit:	None

*Except to pay previously incurred indebtedness incurred prior to the effective date of AB 1290. The Agency Bonds will remain outstanding until December 1, 2023.

**Represents the maximum amount of tax increment revenues, net of housing set-aside requirement and pass-through obligations, receivable by the Agency. Through June 30, 2003, the Agency estimates that it has received the total amount of \$73,873,614.

Redevelopment Projects

The Project Area is currently the most active project area within the City, particularly with the resurgence of what is known as Downtown Burbank. The following summarizes the major redevelopment projects:

Media City Centre Mall. The largest project within the Project Area is the Media City Centre, a major regional shopping mall and adjacent retail complexes. The multi-phased retail shopping complex first began construction in 1989 with the development of the Media City Centre regional shopping mall, which is anchored by Macy's, Sears, Mervyn's, and the free-standing IKEA furniture store. Subsequent phases included AMC 6 and AMC 8 theatre complexes, Office Depot, CompUSA, Barnes & Noble Bookstore, and Circuit City to name a few. The total square foot of the retail complex is 1,500,000 square feet. In 2003, the Media City Centre regional shopping mall was purchased by Crown Realty and Development ("Crown"). Crown is now planning a \$25 million renovation of the mall, including exterior upgrades, signage and re-tenanting the ground floor of the mall.

The original Media City Centre mall developer, Haagen Burbank Partnership (the "Mall Developer"), loaned the Agency \$18,500,000 for the cost of the parking and related common area facilities of the Media City Centre mall. The loan bears interest at the rate on the Developer's permanent loan on Phase I of the Mall. Principal and interest are due semiannually on February 1 and August 1 if each year. However, payments are restricted to 70% of the property tax increment received on Phase I of the mall. The note matures on February 1, 2016, and the remaining balance will be forgiven.

In 1992, the Agency entered into a \$33,000,000 unsecured obligation with the Mall Developer for the cost of the Macy's building in the Media City Centre mall. The note bears interest at the variable rate equal to the Mall Developer's permanent loan interest rate. Principal

and interest are due semiannually on February 1 and August 1 of each year. However, payments are restricted to 80% of the property tax increment attributable to the Macy's building and the Media City Centre mall expansion, plus 10% of the property tax increment of the Phase I mall, plus the City's portion of the sales tax received from the Macy's and mall expansion. The Agency receives credit against semiannual installments on the note equal to the greater of \$1,300,000 or the rent paid by Macy's to the Mall Developer. The note matures on February 1, 2016, and the remaining balance will be forgiven.

In addition to these loans, the Agency allowed office uses to be developed for retail purposes. The Agency agreed pay 50% of the City's portion of the sales tax received from these retail uses for a period of 10 years and apply such payments against the above notes.

The above obligations are subordinated to the Agency Bonds and any other parity obligations of the Agency. Accordingly, Tax Revenues arising from the Media City Centre mall will be legally available to pay debt service on the Agency Bonds prior to the repayment of the loan to the Mall Developer.

Other Projects. In downtown Burbank, AMC theaters opened a 16-screen theatre complex on June 20, 2003, with retail and restaurant space to be completed by December 2003 (Phase I). This replaced the existing AMC 14-screen theatre with a state-of-the-art, stadium-style seating theatre. This project will also include a second phase with retail and restaurant space, and a new parking structure. The City will also continue its efforts in developing a mixed-use project at the old police block site in the downtown area that is to include residential, office and retail uses. Burbank Village Walk, the mixed-use residential and retail component of the Old Police Block Project, was approved in February 2003, and will include 140 for-sale residential units and 14,000 square feet of retail and restaurant space. The Burbank Civic Plaza, the office component of the project, was approved in March 2003, and will include 76,000 square feet of office space and 12,000 square feet of retail, restaurant and commercial service space. Both components are expected to begin construction in the 4th quarter of 2003.

In March 2003, the Agency entered into a development agreement to develop Burbank Civic Plaza, a mixed-use project consisting of a four-story, 76,000 square foot office building, and 12,000 square feet of restaurant/retail space. Construction is expected to begin in 2004 and be completed in 2005.

In 2002, the Agency approved \$1,500,000 to fund a Downtown Tenant Assistance Program (DTAP). The purpose of the DTAP is to provide financial assistance to attract quality retail tenants along Downtown's retail core on San Fernando Boulevard. In December 2002, the Agency approved a loan for the retailer Urban Outfitters. This store is expected to be open by December 2003.

Other major projects include:

- In 1999, the mixed-use Silverwinds was completed consisting of 55,000 square feet of retail space and 147 senior rental housing units, and 55,000 square feet of retail space.
- A state-of-the-art Police/Fire Headquarters was completed in 1997. A new Community Services Building is planned to start construction by 2004.

A map of the major development sites in the Project Area is shown on the following page:



Harvard Rd.
Cypress Ave.
San Jose Ave.
Magnolia Blvd.
Palm Ave.
Orange Grove Ave.
Olive Ave.
Angeleno Ave.
Tujunga Ave.
Verdugo Ave.

Glenoaks Blvd.

Burbank High School

Burbank Blvd.

IKEA

MALL DISTRICT

Parking Structure

Colony Theatre
Parking Structure

Mervyn's

Burbank Town Center
Macy's
Mall Interior

Parking Structure

Sears

Cal-Fed
First State Bank
Office
Parking Structure
Cartoon Network
Office
County Courts
Parking Structure
Office

Parking Structure

SBC
(Switching Station)

Ben's Deli
Crescent Street Repair
Medical Building

Parking Structure

City Hall
Office

Village Walk
(condos/retail)

VILLAGE DISTRICT

AMC Downtown Burbank 16

Parking Structure

Parking Structure

Vacant
(Marriott)

Third St.

San Fernando Blvd.

First St.

Golden State Freeway (I-5)
(200,000 cars per day)

Metrolink Station

Assessed Valuation

The Base Year assessed valuation was established in fiscal year 1972 in the amount of \$38,379,820. A breakdown of the fiscal year 2003-2004 assessed valuation (\$690,567,379 gross; \$676,093,340 net) by category of use is as follows:

CITY CENTRE REDEVELOPMENT PROJECT Breakdown of Assessed Valuation by Category of Use

<u>Category</u>	<u># Parcels</u>	<u>Assessed</u>		<u>Net Taxable</u>	
		<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>
Residential	31	\$ 109,963,508	15.9	\$ 109,963,508	16.3
Commercial	137	465,947,362	67.5	465,265,416	68.8
Industrial	18	11,397,211	1.7	11,397,211	1.7
Recreational	3	12,053,248	1.7	12,053,248	1.8
Institutional	6	9,299,099	1.3	1,809,460	0.3
Government	4	2,024,847	0.3	2,024,847	0.3
Vacant Land	10	6,468,191	0.9	6,229,415	0.9
Exempt	40	5,987,268	0.9	0	0.0
Possessory Interest	[2]	664,536	0.1	664,536	0.1
Unsecured	[456]	62,075,564	9.0	61,999,064	9.2
Unknown	<u>1</u>	<u>4,686,635</u>	0.7	<u>4,686,635</u>	0.7
Totals:	<u>250</u>	<u>\$690,567,379</u>		<u>\$676,093,340</u>	

Source: Los Angeles County Assessor

Note: Unsecured and possessory interest parcels are shown in brackets because they are, in reality, tax bills that are assigned to secured parcels already accounted for in other categories. The figures include the value for exempt parcels such as those owned by the City, the Agency, the State or other governmental agencies.

The following table shows the actual assessed values for fiscal years 1999 to 2003 based upon the Los Angeles County Auditor/Controller's equalized rolls and incremental values of property within the Project Area based on an exclusion of assessed values from the unsecured roll.

CITY CENTRE REDEVELOPMENT PROJECT
Historical Taxable Values and Tax Increment Revenues
Fiscal Years Ended June 30,

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03*</u>
Assessed values:					
Secured	\$487,532,000	\$501,287,000	\$527,625,000	\$537,116,907	\$541,632,552
Unsecured	60,741,000	51,803,000	66,049,000	66,748,206	64,119,371
Total assessed values	548,273,000	553,090,000	593,674,000	603,865,113	605,751,923
Base year values	(38,379,820)	(38,379,820)	(38,379,820)	(38,379,820)	(38,379,820)
Incremental assessed value	509,893,180	514,710,180	555,294,180	565,485,293	567,372,103
Gross tax revenues	5,067,545	5,483,076	5,445,071	5,895,138	5,926,094
Less:					
SB2557 Admin fee	108,545	104,602	111,838	111,492	112,450
Low/Mod housing	991,800	1,075,695	1,066,647	1,156,729	1,162,729
Total deductions	1,100,345	1,180,297	1,178,485	1,268,221	1,275,179
Net revenues	3,967,200	4,302,779	4,266,586	4,626,917	4,650,915
Bond debt service	1,846,350	1,740,468	1,743,778	1,743,640	1,745,353
Debt service coverage	2.15x	2.47x	2.47x	2.65x	2.66x

Source: County of Los Angeles.

*Projected.

The following table shows the ten largest property taxpayers, by revenue, in the Project Area.

CITY CENTRE REDEVELOPMENT PROJECT
Largest Fiscal Year 2003-04 Property Taxpayers, by Revenue

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003-04 Revenue</u>	<u>% of Total (1)</u>
Burbank Mall Associates LLC	Retail	\$1,977,696	30.35
Avalon Promenade Inc.	Retail	688,238	10.56
Joseph A. Perry	Hotels	431,007	6.61
Arden Realty Finance Partnership	Office Buildings	271,002	4.16
Haagen Burbank Partnership	Retail	227,362	3.49
Del Rey Properties	Office Buildings	204,889	3.14
Arden Realty Finance Partnership	Office Buildings	140,169	2.15
230 248 N. Golden Mall Associates	Retail	126,273	1.94
Media Village Development Corporation	Residential/Retail	121,984	1.87
C&P Properties No. 1	Office Buildings	<u>108,299</u>	<u>1.66</u>
Total		<u>\$4,296,919</u>	<u>65.94</u>

Source: Los Angeles County Assessor 2003-04 Secured and Unsecured Tax Rolls

(1) The total increment revenue for fiscal year 2003-04 is projected to be \$6,432,068.

The following table shows the ten largest property taxpayers, by assessed value, in the Project Area.

CITY CENTRE REDEVELOPMENT PROJECT
Largest Fiscal Year 2003-04 Property Taxpayers, by Assessed Value

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2003-04 Assessed Valuation</u>	<u>% of Total (1)</u>
Burbank Mall Associates LLC	Retail	\$206,264,424	29.87
Avalon Promenade Inc.	Retail	71,779,970	10.39
Joseph A. Perry	Hotels	44,951,993	6.51
Arden Realty Finance Partnership	Office Buildings	28,264,253	4.09
Haagen Burbank Partnership	Retail	23,712,788	3.43
Del Rey Properties	Office Buildings	21,368,916	3.09
Arden Realty Finance Partnership	Office Buildings	14,618,997	2.12
230 248 N. Golden Mall Associates	Retail	13,169,686	1.91
Media Village Development Corporation	Residential/Retail	12,722,382	1.84
C&P Properties No. 1	Office Buildings	<u>11,295,042</u>	<u>1.64</u>
Total		<u>\$448,148,451</u>	<u>64.90</u>

Source: Los Angeles County Assessor 2003-04 Secured and Unsecured Tax Rolls

(1) The total gross taxable value for fiscal year 2003-04 is \$690,567,379.

Annual Tax Receipts from Tax Levy

The County apportions tax revenues to redevelopment agencies based upon the amount of the tax levy that is received from the taxpayers. The following table illustrates the tax revenue collections for previous five fiscal years.

CITY CENTRE REDEVELOPMENT PROJECT Tax Revenue Collections

<u>Fiscal Year</u>	<u>Secured and Unitary Tax Levy</u>	<u>Unsecured Tax Levy</u>	<u>Total Apportioned</u>	<u>Current Year Collection</u>	<u>Total Collection</u>	<u>Prior Year Collection*</u>	<u>Total</u>
1998-99	\$4,591,233	\$569,805	\$5,161,038	\$4,935,326	95.6%	\$132,219	\$5,067,545
1999-00	4,792,906	645,649	5,438,555	5,428,546	99.8	54,530	5,483,076
2000-01	4,994,727	615,152	5,609,879	5,243,972	93.5	201,099	5,445,071
2001-02	5,217,439	620,085	5,837,524	5,811,131	99.5	84,007	5,895,138
2002-03**	5,293,639	617,220	5,910,859	5,834,291	98.7	91,803	5,926,094

Source: Los Angeles County Auditor-Controller's Office, Disbursement Tax Division "CRA Remittance Advice".

*Prior Year Collections include supplemental revenue, reductions for taxpayer refunds and revenue from prior years.

**2002-03 forecasted.

Appeals of Assessed Values

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor or the Appeals Board may set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which application is made and during which the written application was filed. After a reduction is allowed, the property is reviewed on an annual basis to determine its full cash value and the valuation may be adjusted accordingly. This may result in further reductions or increases in value. Such increases are in accordance with the actual cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it is once again subject to the annual inflationary growth rate allowed under Article XIII A.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively after that. The "base year" is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

The following table shows the appeal history since 1997-98.

CITY CENTRE REDEVELOPMENT PROJECT
Appeal History

<u>Lien Year</u>	<u>Total Appeals</u>	<u>Resolved Appeals</u>	<u>Successful Appeals</u>	<u>Successful Original Value</u>	<u>Successful Appeal Value Loss</u>
1997-98	8	8	4 (50.00%)	\$ 41,044,833	\$ 7,834,550 (19.09%)
1998-99	6	4	3 (75.00%)	44,005,911	4,235,911 (9.63%)
1999-00	3	3	2 (66.67%)	16,588,348	1,388,348 (8.37%)
2000-01	2	2	2 (100.00%)	40,349,187	3,399,187 (8.42%)
2001-02	7	7	3 (42.86%)	45,255,036	4,665,036 (10.31%)
2002-03	<u>13</u>	<u>2</u>	<u>2</u> (100.00%)	<u>45,450,468</u>	<u>8,750,468</u> (19.25%)
	<u>39</u>	<u>26</u>	<u>16</u> (61.54%)	<u>\$232,693,783</u>	<u>\$30,273,500</u>

Source: Los Angeles County Assessor

There are 13 appeals currently pending (of which only one of the ten largest property owners has a current appeal pending) on properties within the Project Area. These owners have appealed valuations totaling approximately \$16,483,942. The forecasted tax revenues include a 3% allowance for delinquencies and tax refunds.

Tax Increment Revenue Projections and Debt Service Coverage

The following table sets forth the projected growth in tax increment revenues over the next five years. The projected growth in real property taxable values includes anticipated value added from the identified new developments identified under the subheading "The Redevelopment Plan" above, and the maximum annual inflationary factor allowed under Proposition 13 (2%). Future personal property values are assumed to stabilize at the previous year level such table also shows the debt service coverage in each such year.

CITY CENTRE REDEVELOPMENT PROJECT Projected Tax Revenues and Debt Service Coverage Fiscal Years Ending June 30,

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Assessed values (1):					
Secured	\$614,094,276	\$646,376,162	\$748,303,685	\$763,269,758	\$778,535,153
Unsecured	61,999,064	63,239,045	64,503,826	65,793,903	67,109,781
Total assessed values	676,093,340	709,615,207	812,807,511	829,063,661	845,644,934
Base year values	(38,379,820)	(38,379,820)	(38,379,820)	(38,379,820)	(38,379,820)
Incremental assessed value	637,713,520	671,235,387	774,427,691	790,683,841	807,265,114
Tax rate	1.012304%	1.012304%	1.012304%	1.012304%	1.012304%
Tax increment	6,455,599	6,794,943	7,839,562	8,004,124	8,171,977
Delinquency factor – 3% (2)	(193,668)	(203,848)	(235,187)	(240,124)	(245,159)
Unitary tax revenue	160,000	160,000	160,000	160,000	160,000
Gross tax revenues	6,421,931	6,751,094	7,764,376	7,924,000	8,086,818
Less:					
SB2557 Admin fee	120,590	125,413	130,430	135,647	141,073
Low/Mod housing	1,260,268	1,325,136	1,526,789	1,557,671	1,589,149
Total deductions	1,380,858	1,450,549	1,657,219	1,693,318	1,730,222
Net revenues	5,041,074	5,300,545	6,107,157	6,230,683	6,356,596
Agency Bond debt service	1,740,090	1,742,663	1,737,880	1,742,300	1,741,175
Debt service coverage (3)	2.90x	3.04x	3.51x	3.58x	3.65x

Source: The Agency.

- (1) Increased 2% per year; Assumes AMC expansion project increases AV by \$20M in FY 04/05 and \$25M in FY 05/06. Also, assume Police Block project increases AV by \$64M in FY 05/06.
- (2) Delinquency includes amounts lost due to appeals and non-payments.
- (3) Equals Net Revenues divided by Bond Debt Service.

The foregoing projection reflects the Agency's understanding of the assessment and tax apportionment procedures employed by the County. The County procedures are subject to change as a reflection of policy revisions or legislative mandate. While the Agency believes the estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

No assurances are provided by the Agency as to the certainty of the projected tax increment revenues shown on the foregoing table. Actual revenues may be higher or lower than

what has been projected and are subject to valuation changes resulting from new developments or transfers of ownership not specifically identified herein, actual resolution of outstanding appeals, future filing of appeals, or the non-payment of taxes due.

BONDOWNERS' RISKS

The following information should be considered by prospective investors in evaluating whether to invest in the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE AGENCY INDENTURE ARE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS (OTHER THAN THE AUTHORITY AND THE AGENCY, RESPECTIVELY, TO THE LIMITED EXTENT DESCRIBED HEREIN), AND NONE OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS OTHER POLITICAL SUBDIVISIONS ARE LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE FROM AND SECURED BY AN ASSIGNMENT OF AMOUNTS PAYABLE BY THE AGENCY ON THE AGENCY BONDS AND, IF NEEDED (AND ONLY WITH RESPECT TO THE INSURED BONDS), THE OBLIGATIONS OF THE AGENCY UNDER THE AGENCY INDENTURE AND THE AGENCY BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE ONLY OUT OF CERTAIN FUNDS OF THE AGENCY AS SET FORTH IN THE AGENCY INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AUTHORITY OR THE AGENCY OR THE CITY COUNCIL OR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

No Acceleration on Default

The Indenture does not provide for an acceleration of the principal of the Bonds following the occurrence of an Event of Default under and as defined in the Indenture. The Agency Indenture does not contain provisions with respect to the acceleration of the Agency's obligations thereunder upon the occurrence of an event of default under the Agency Indenture.

In the event of default under the Agency Indenture, as a practical matter, the Trustee will be limited to obtaining the moneys in the debt service funds held under the Agency Indenture and enforcing the covenant of the Agency to pay the Tax Revenues on an annual basis to the extent of such Tax Revenues. No real or personal property in the Project Area is pledged to secure the Agency Bonds and it is not anticipated that the Agency will have available moneys sufficient to pay any of the Agency Bonds in full upon the occurrence of an event of default.

Bankruptcy

The various legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to the enforceability of the various legal documents by limitations imposed by bankruptcy, reorganization, insolvency, fraudulent conveyance or other laws affecting rights of creditors generally. If any of such limitations are imposed, they may adversely affect the ability of the Trustee and the Bond owners to enforce their claims and assert their rights under the Indenture or the Agency Indenture.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority has covenanted in the Indenture and the Agency has covenanted in the Agency Indenture to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the Authority, the City or the Agency in violation of this or other covenants in the Indenture and the Agency Indenture, respectively. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain Outstanding until maturity or prior redemption under one of the redemption provisions contained in the Indenture. See "MISCELLANEOUS—Tax Matters" herein.

Risks Related to the Agency Bonds

Reduction in Taxable Values. Tax Revenues allocated to the Agency by the State and the County, which Tax Revenues constitute the primary source of payment of principal of, premium, if any, and interest on the Bonds, as discussed herein, are determined by the amount of the incremental taxable value of property in the Project Area, the current rate or rates at which property in the Project Area is taxed and the percentage of taxes collected in the Project Area. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the complete or partial destruction of such property caused by, among other calamities, an earthquake, fire, flood or other natural disaster, could cause a reduction in the Tax Revenues securing the Agency Bonds and, therefore, the Bonds. Such reduction of the Tax Revenues securing the Agency Bonds could have an adverse effect on the Agency's ability to make timely payments of principal and interest on the Agency Bonds. Real property values and taxable valuations of real property in some parts of California have declined. As a consequence of the decline in property values, property owners may seek a reevaluation of their real property. If such valuation were reduced, Tax Revenues available to pay debt service on the Bonds would also decline. The Agency does not expect this to materially affect its ability to pay the Bonds on a timely basis.

The pledge of the Tax Revenues created under the Agency Indenture is subject to the Agency's obligation to make deposits to a low and moderate income housing fund pursuant to the Redevelopment Law.

Changes in the Law. Chapter 68, Statutes of 1993, companion legislation to the State Budget Act of 1993 (Chapter 55, Statutes of 1993), required redevelopment agencies, including

the Agency, to pay a portion of its revenues into a special fund for the benefit of local schools for the 1994-95 fiscal year. There is no assurance that in addition to these and other limitations on tax revenues described herein under "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS," the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the Agency Bonds.

Reductions in Inflationary Rate. As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. In setting forth the Tax Revenues to be received by it to make payments with respect to the Agency Bonds, the Agency has not assumed 2% inflationary increases. The Tax Revenues are based on the latest actual amounts received by the Agency. However, decreases in property values could cause a reduction in Tax Revenues received by the Agency and could result in reduced Tax Revenues available to pay the Agency Bonds. See "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Levy and Collection of Taxes. The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Agency Bonds and on the Authority to pay debt service on the Bonds. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability of taxing agencies to collect property taxes could have an adverse effect on the Agency's ability to make timely Agency Bond payments.

Real Estate and General Economic Risks. As hereinbefore stated in the above paragraph captioned "Reductions in Inflationary Rate" and as demonstrated hereinbefore in the tables under the caption "Debt Service Coverage," in the section of this Official Statement entitled "TAX REVENUES AND DEBT SERVICE," Tax Revenues as presented herein as available for payment of any indebtedness of the Agency are based upon the latest actual amounts for the 2001-02 fiscal year. Redevelopment of real property within the Project Area by the Agency, as well as private development in the Project Area, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies, including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Project Area encounter significant obstacles of the kind described herein or other impediments, the economy of the Project Area could be adversely affected, causing reduced taxable valuation of property in the Project Area, a reduction of the Tax Revenues and a consequent reduction in Tax Revenues available to repay the Agency Bonds. If there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes, causing a delay or stoppage of Tax Revenues received by the Agency from the Project Area.

Concentration of Land Ownership. Ownership of property within the Project Area is concentrated within a number of owners, some of which are responsible for a significant percentage of the property taxes allocated to the Agency from the Project Area. A default by several owners of a significant percentage of the property within the Project Area in the payment of their property taxes could materially and adversely affect the ability of the Agency to pay debt service on the Agency Bonds.

Estimates of Tax Revenues. In estimating that the total Tax Revenues to be received by the Agency will be sufficient to pay debt service on the Agency Bonds, the Agency has relied on the actual historical Tax Revenues and made certain assumptions with regard to future assessed valuation in the Project Area, future tax rates and the percentage of taxes collected. The Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the total Tax Revenues available to pay debt service on the Agency Bonds will be reduced. Such reduced Tax Revenues may be insufficient to provide for the payment of debt service on the Agency Bonds and hence the Bonds. See "PLEDGE OF TAX REVENUES" herein.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels in the Project Area would be the discovery of a hazardous substance that would limit the beneficial use of the property. In general, the owners and operators of an assessed parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as CERCLA or the Superfund Act, is the most well known and widely applicable of these laws but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition on the property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the assessed parcels be affected by a hazardous substance would be to reduce the marketability and value of the parcel by the costs of remedying the condition, since the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Seismic Considerations The areas in and surrounding the City, like those in much of California, may be subject to unpredictable seismic activity. Although no active or inactive fault lines pass through, or near, the City, if there were to be an occurrence of severe seismic activity in the City, there could result in substantial damage to the property in the Project Area resulting in a reduction in Tax Revenues.

State Budget. In connection with its approval of the budget for the State of California for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment (net of amounts due to other taxing agencies), to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. Faced with a projected \$23.6 billion State budget gap for Fiscal Year 2002-03, the State Legislature adopted and sent to the Governor of the State as urgency legislation, AB 1768 requiring redevelopment agencies to pay into ERAF in Fiscal Year 2002-03 an aggregate amount of \$75 million. The Agency paid into ERAF in Fiscal

Year 2002-03 the amount of \$912,120 (none of which was paid from Tax Revenues) as its share of such \$75 million. See "LIMITATIONS ON TAX REVENUES."

The State continues to experience severe financial and budgetary stress. The Governor estimates that the State General Fund aggregate deficit for Fiscal Year 2002-03 and for Fiscal Year 2003-04 will be over \$38 billion. On January 10, 2003, the Governor released his proposed State budget for Fiscal Year 2003-04 (the "January Budget Proposal") and on May 14, 2003, issued his revised State budget for Fiscal Year 2003-04 (the May Revise"). As part of the January Budget Proposal, the Governor proposed that the school district share of property tax revenue resulting from growth in assessed value in redevelopment project areas, which is currently retained by redevelopment agencies, be shifted to schools beginning at the level of \$250 million in 2003-04, and increasing to the full amount of diverted property taxes over time (the "School District Shift"). The May Revise did not alter the Governor's proposal for the School District Shift. The School District Shift would have a major effect on the ability of many redevelopment agencies to continue operating as they have in the past.

Assembly Bill No. 1755 ("AB 1755"), introduced in the State Assembly on March 10, 2003, and substantially amended June 23, 2003, required a shift in the aggregate of amount of \$250,000,000 from redevelopment agencies to the applicable ERAFs. AB 1755 also provided for a shift to ERAF only in Fiscal Year 2003-04 (and was silent with respect to subsequent years). AB 1755 also provided a procedure for payment of existing obligations, which would include the Agency Bonds, on a basis senior to the required shift to ERAF. On July 29, 2003, the Assembly amended Senate Bill No. 1045 ("SB 1045") to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the required ERAF shift to \$135,000,000. On August 19, 2003, the State Senate concurred in the amendment of SB 1045 by the Assembly. SB 1045 will require the Agency to transfer approximately \$1,343,094 (none of which is expected to be paid from Tax Revenues) to ERAF in Fiscal Year 2003-04 (which amount is approximately 1.8 times the amount that the Agency was required to transfer to ERAF in Fiscal Year 2002-03).

On August 2, 2003, the Governor signed the Fiscal Year 2003-04 State Budget into law. However, as noted, the amount of the required shift by the Agency to ERAF for Fiscal Year 2003-04 is not yet resolved.

The Agency cannot predict whether the State Legislature will enact SB 1045 in its present form or will enact any other legislation requiring additional or increased future shifts in of tax increment revenues to the State and/or to schools, whether through an arrangement similar to ERAF or by other arrangements, and, if so, the effect on future Tax Revenues. Given the level of the State of California's deficit problems, tax increment available for payment of the Agency Bonds may be substantially reduced in the future.

Information about the State budget and State spending is available at various State-maintained websites. Text of the budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

LIMITATIONS ON TAX REVENUES

Property Tax Limitations – Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean “the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in October 1986 by initiative which exempts any bonded indebtedness approved by two-thirds (55% in certain instances) of the votes cast by the voters for the acquisition or improvement of real property from the one percent limitation.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In the general elections of 1986, 1988 and 1990, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment has reduced the local property tax revenues. Other amendments permitted the Legislature to allow persons over 55 who sell their residence on or after November 5, 1986, to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence’s assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfers or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within the county and the original property is located in another county within California.

In the October 1990 election, the voters approved additional amendments to Article XIII A permitting the State Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of “new construction,” triggering reassessment, improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “new construction” seismic retrofitting improvements or

improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Challenges to Article XIII A

The U.S. Supreme Court struck down as a violation of equal protection certain property tax assessment practices in West Virginia, which had resulted in vastly different assessments of similar properties. Since Proposition 13 provides that property may only be reassessed up to two percent per year, except upon change of ownership or new construction, recent purchasers may pay substantially higher property taxes than long-time owners of comparable property in a community. The Supreme Court in the West Virginia case expressly declined to comment in any way on the constitutionality of Proposition 13.

Based on the decision in the West Virginia case, property owners in California brought three suits challenging the acquisition value assessment provisions of Article XIII A. Two cases involved residential property, and one case involved commercial property. In all three cases, State trial and appellate courts have upheld the constitutionality of Article XIII A's assessment rules and concluded that the West Virginia case did not apply to California's laws. On June 3, 1991, the U.S. Supreme Court agreed to hear the appeal in the challenge relating to commercial property, but the plaintiff subsequently withdrew its case. On June 18, 1992, the U.S. Supreme Court upheld the decision in *Nordlinger v. Hahn*, one of the challenges relating to residential property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A.

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Unitary Property

Assembly Bill 454 Statutes of 1987, Chapter 921 ("AB 454"), provided that revenues derived from Unitary Property (consisting mostly of operations property owned by utility companies), commencing with fiscal year 1988-89, will be allocated as follows: (1) for revenues generated from the one percent tax rate, (a) each jurisdiction, including redevelopment project areas, will receive a percentage up to 102 percent of its prior year State-assessed unitary revenue; and (b) if county-wide revenues generated from Unitary Property are greater than 102 percent of the previous year's revenues, each jurisdiction will receive a percentage share of the excess unitary revenues by a specified formula, and (2) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. This provision applies to all Unitary Property except railroads whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of assessment of any State-assessed properties nor a revision of the method of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions within a county.

On February 1, 1991, the Superior Court for the County of Sacramento issued a Statement of Decision in *AT&T Communications of California, et al. v. State Board of Equalization* which reduced the valuation of certain unitary property owned by AT&T for property tax purposes. Under the decision, the valuation method used by the State Board of Equalization to assess unitary public utility property was declared illegal and a new method of valuation, resulting in significantly lower values and therefore significantly lower potential property tax revenues, was imposed. The effect on AT&T's statewide assessed value was to reduce it from approximately \$1,750,000,000 to approximately \$1,100,000,000. As a result of this case, on May 1, 1992, 57 of California's 58 counties, the State Board of Equalization and a number of other utility companies whose unitary property valuations could be affected by the principles announced in the Superior Court decision entered into a settlement agreement. On July 14, 1993, the Superior Court for the County of Sacramento entered a judgment validating the settlement agreement.

Although the settlement agreement is complex and extensive, its substance is represented by the signatory public utilities' agreement (except AT&T) to abandon their right to refunds since 1983 in return for lowered assessed valuations for the next eight fiscal years pursuant to an agreed formula.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of project areas, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base year. Within the Project Area, the Auditor Controller has allocated \$94,687 in unitary tax revenue to the Agency for fiscal year 2001-02. This amount is reasonably consistent with the unitary revenue allocations made to the Agency in prior years.

In response to the recent energy crisis in California, the Governor has proposed that the State acquire the electrical transmission line system from the current utility company owners. This proposal is still under consideration and it is unknown at this time whether or not it will be

implemented. Additionally, the consequences of such an acquisition are unknown. It is possible, however, that this plan, if implemented, may render the transmission system tax exempt, thus, eliminating this value from the State Board of Equalization taxable rolls and reducing the amount of unitary taxes collected and distributed. The impact of this reduction, if any, would be proportionately allocated throughout the County.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is declared in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. Legislation enacted in 1983 (Chapter 498, Statutes of 1983) provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction.

Chapter 498 provided increased revenue to redevelopment agencies to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such State supplemental assessments occur within the Project Area, the Tax Revenues for the Project Area may increase.

Tax Collection Fees. In 1990, the State Legislature enacted Senate Bill 2557 (Chapter 466, Statutes of 1990) ("SB 2557") which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Two recent decisions have interpreted the provisions of SB 2557 and have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Agency, are to share in the cost of property tax administration charged by most California counties, including the County. During fiscal years 2000-01 and 2001-02, the County withheld approximately \$451,008 and \$456,742 respectively, from the Agency for such administrative costs.

Appropriations Limitations – Article XIII B

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor will such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law.

State Board of Equalization and Property Assessment Practices

On December 10, 1998, the State Board of Equalization ("SBOE") approved revisions to its guidelines regarding the valuation of intangible business and commercial property for property tax purposes. The SBOE approved these revisions over the strong objections of the California Assessors Association ("CAA"), an organization representing all 58 County Assessors in California.

The Agency is not able to predict whether the revised SBOE guidelines will cause any reductions in tax increment revenues and, hence, in Tax Revenues. However, the Agency does not believe that the SBOE's adoption of the revised guidelines will affect its ability to pay debt service on the Loan.

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled "Property Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness.

The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness. The Agency does not receive a significant amount of tax increment as a result of general obligation bond tax levies.

Proposition 218

On November 5, 1996, California voters approved Proposition 218-Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges-Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

AB 1290

In 1993, the California Legislature enacted Assembly Bill 1290 ("AB 1290") which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. See "THE PROJECT AREA—Redevelopment Plan Limitations."

The Redevelopment Plan was amended to comply with AB 1290.

SB 211

Senate Bill 211 ("SB 211"), which was adopted in 2001 and took effect as of January 1, 2002, allows redevelopment agencies, by ordinance, to eliminate the time limit on establishing indebtedness (meaning the redevelopment agency could incur debt up to the end of the effectiveness of its redevelopment plan), but would in turn trigger statutory pass-throughs to all taxing entities with whom the redevelopment agency does not have a pass-through agreement at the time the ordinance is adopted. If the Agency chooses to eliminate the Agency's existing tax increment indebtedness limit as permitted by SB211, the statutory pass-throughs would apply starting in the year after what is now the final year to incur indebtedness. To date, the Agency has not determined to eliminate such time limit.

Future Initiatives

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

Low and Moderate Income Housing

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated to redevelopment agencies from redevelopment project areas adopted after December 31, 1976, in a low- and moderate-income housing fund to be expended for authorized low- and moderate-income housing purposes. Amounts on deposit in the low- and moderate-income housing fund may also be applied to pay debt service on bonds, loans or advances of redevelopment agencies to provide financing for such low- and moderate-income housing purposes.

The Project Area is subject to the 20% set-aside requirement for low- and moderate-income housing. These revenues are therefore not included in the Tax Revenues securing the Agency Bonds.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Agency Bonds and all Parity Obligations) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year.

"Available Revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry-forward from the prior fiscal year.

Available Revenue include amounts held by the Agency and irrevocably pledged to the payment of Debt other than amounts set aside for low- and moderate-income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 of the Redevelopment Law provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute if it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or its related contract or expenditures. No challenge can be made to payments to a trustee in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

MISCELLANEOUS

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the Agency comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Agency have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Certain Legal Matters

Quint & Thimmig LLP, San Francisco, California, Bond Counsel and Disclosure Counsel, will render an opinion with respect to the validity and enforceability of the Indenture and as to the validity of and tax-exempt status of the interest on the Bonds. Copies of such approving opinion is set forth in APPENDIX C—"FORM OF BOND COUNSEL OPINION." The fees being paid to Bond Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Bonds. In addition, certain legal matters will be passed on for the Authority and the Agency by the City Attorney. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon the sale and delivery of the Bonds.

Absence of Litigation

To the best knowledge of the Authority and the Agency there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental authority or body pending or threatened against the Authority and the Agency to restrain or enjoin the authorization, execution or delivery of the Bonds or the collection of the payments to be made pursuant to the Indenture or the Agency Indenture, or in any way contesting or effecting the validity of the Bonds, the Agency Bonds, the Indenture or the Agency Indenture.

Underwriting

E. J. De La Rosa & Co., Inc., (the "Underwriter") has agreed to purchase the Bonds maturing on December 1, 2004, through December 1, 2018 (the "Underwritten Bonds"), at a purchase price of \$14,695,288.70 (being equal to the aggregate principal amount of the Underwritten Bonds of \$14,850,000, less an underwriter's discount with respect to the Underwritten Bonds of \$118,800.00, and less a net original issue discount with respect to the Underwritten Bonds of \$35,911.30). The agreement pursuant to which the Underwriter will purchase the Bonds provides that the Underwriter will purchase all of the Bonds if any of the Bonds are purchased.

The Underwriter may offer and sell the Underwritten Bonds to certain dealers and others at prices different from the prices stated on the cover page of the Official Statement. The offering prices of the Underwritten Bonds may be changed from time to time by the Underwriter.

Fannie Mae (the "Placed Bonds Purchaser") has agreed to purchase the Bonds maturing on December 1, 2019, through December 1, 2023 (the "Placed Bonds") directly from the Authority for its own account, at a purchase price of \$7,165,000 (being equal to the aggregate principal amount of the Placed Bonds). The Authority will pay a placement fee of \$57,320 to the Underwriter with respect to the Placed Bonds.

Verification of Mathematical Calculations

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the Authority and the Agency relating to computation of forecasted receipts of principal and interest on the Federal Securities placed in the Purchase Fund to pay the purchase price of the Agency Bonds on December 1, 2003, will be examined by Grant Thornton LLP, certified public accountants. Such computations will be based solely on

assumptions and information supplied by the Underwriter on behalf of the Authority and the Agency. Grant Thornton LLP will restrict its procedures to examining the arithmetical accuracy of certain computations and will not make any study or evaluation of the assumptions and information on which the computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Continuing Disclosure

The Agency has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than March 31 following the end of the fiscal year (currently their fiscal years end on June 30) (the "Annual Report"), commencing with the fiscal year ending June 30, 2003, and to provide notices of the occurrence of certain enumerated events, if material.

The Annual Report will be filed by the Trustee as Dissemination Agent with each Nationally Recognized Municipal Securities Information Repository, and notices of material events will be filed by the Dissemination Agent with the Municipal Securities Rulemaking Board. The Annual Report and notices will also be filed with any entity designated by the State as a state repository for continuing disclosure information. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

The Agency has not failed to make any filings in connection with prior obligations under the Rule.

Ratings

Moody's Investors Service and Standard & Poor's Ratings Services have assigned their municipal bond ratings of "Aaa" and "AAA," respectively, to the Bonds. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from them as follows: Moody's Investors Service, 99 Church Street, New York, NY 10007, (212) 553-0300, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10004, (212) 438-2124. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Concluding Information

All the summaries contained herein of the Indenture, the Agency Indenture, applicable legislation and other documents are made subject to the provisions of such documents and legislation, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Trustee for further information in connection therewith.

Insofar as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any such statements made will be realized. Neither this Official Statement nor any statement that may have been made orally or in writing is to be construed as a contract between the Authority, the Agency or the City, and the Bond Owners or Beneficial Owners.

The execution and delivery of this Official Statement has been duly authorized by the Authority and the Agency.

BURBANK PUBLIC FINANCING
AUTHORITY


By /s/ Mary J. Alvord
Executive Director

REDEVELOPMENT AGENCY OF THE
CITY OF BURBANK

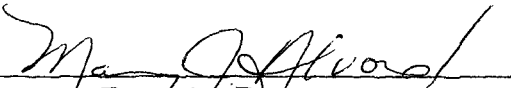
By /s/ Mary J. Alvord
Executive Director

The execution and delivery of this Official Statement has been duly authorized by the Authority and the Agency.

BURBANK PUBLIC FINANCING
AUTHORITY

By 
Executive Director

REDEVELOPMENT AGENCY OF THE
CITY OF BURBANK

By 
Executive Director

APPENDIX A

CITY OF BURBANK

The following information is presented as general background data. The Bonds are payable solely from Tax Revenues and other sources as described in the Official Statement, and are not a debt of the City of Burbank. The taxing power of the City of Burbank, the State or any political subdivision thereof is not pledged to the payment of the Bonds. See the section of this Official Statement entitled "SECURITY FOR THE BONDS AND THE LOAN."

General

The City of Burbank, California (the "City" or "Burbank") is located in the greater metropolitan Los Angeles area, approximately 12 miles northeast of the Los Angeles Civic Center complex. The economy represents a diverse blend of commercial and residential development. The City is the home of several major entertainment industry firms, including NBC, Warner Brothers and Walt Disney Company. Burbank is a mature community that experienced very little population growth in the later 1970's, modest population growth in the early 1980's, and slightly faster population growth in the late 1980's and early 1990's. See "Population" below.

Municipal Government

The City was incorporated as a general law city in 1911, and adopted its city charter in 1927. Burbank is administered by a Council-Manager form of government. The five City Council members, one of whom serves as Mayor, are elected at-large for four-year terms. Elections are staggered at two year intervals.

The City operates 22 parks, a golf course and 3 libraries.

As of June 30, 2003, the City had 1,553 employees, with 1,234 full-time, 198 part-time, 55 temporary and 66 seasonal employees. Six associations represented the City's employees: the Burbank City Employees' Association, represented 893 employees; the Burbank Firefighters Local, represented 116 employees; the Burbank Police Officers' Association, represented 153 employees; the International Brotherhood of Electrical Workers Local 18, represented 129 employees; the Burbank Fire Fighters-Chief Officer's Unit, represented 6 employees; and the Burbank Management Association, represented 155 employees. In addition, there were 101 non-represented employees (including executives). All of the associations are subject to the Meyers-Milius-Brown Act, which requires each association to meet with the City and confer in an effort to develop a "memorandum of understanding." Negotiations on each memorandum begin before the June 30 expiration of the applicable memorandum; however, negotiations often are completed subsequent to the June 30 expiration. Memoranda of understanding are currently in effect with respect to all associations, except for Burbank City Employees' Association, Burbank Management Association and non-represented employees.

Population

The following table summarizes State Department of Finance estimates of population for the years indicated. The City anticipates that further population increases will be dependent upon replacement of older single family residential units by higher density multiple unit housing developments in areas planned and zoned for multiple family densities that are currently underdeveloped.

CITY OF BURBANK POPULATION

<u>January 1</u>	<u>Population</u>
1994	98,678
1995	99,880
1996	101,424
1997	102,481
1998	104,048
1999	105,300
2000	106,480
2001 (1)	102,400
2002	102,800
2003	104,497

Source: California Department of Finance.

(1) Reduction in population from 2000 to 2001 reflects the impact of the 2000 census.

Employment

The City is part of the Los Angeles-Long Beach Metropolitan Statistical Area (MSA). The civilian labor force for Los Angeles County decreased from an average of 4,875,000 in 2001 to 4,616,000 in 2002.

LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT Yearly Average for Calendar Years 1998-2002

<u>Year</u>	<u>Area</u>	<u>Civilian Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
1998	L.A. County	4,647,600	4,343,300	304,300	6.5%
	California	16,336,500	15,367,500	969,000	5.9%
	United States	137,674,700	131,470,700	6,204,000	4.5%
1999	L.A. County	4,662,400	4,389,300	273,000	5.9%
	California	16,596,400	15,731,700	864,700	5.2%
	United States	139,380,000	133,501,000	5,879,000	4.2%
2000	L.A. County	4,761,600	4,506,100	255,500	5.4%
	California	17,090,800	16,245,600	845,200	4.9%
	United States	140,866,300	135,214,700	5,651,600	4.0%
2001	L.A. County	4,875,200	4,598,200	277,000	5.7%
	California	17,362,300	16,435,200	927,100	5.3%
	United States	142,122,200	135,042,900	6,779,300	4.8%
2002	L.A. County	4,915,000	4,616,000	299,000	6.1%
	California	17,661,000	16,574,000	1,087,000	6.2%
	United States	142,878,000	135,237,000	7,640,000	5.3%

Source: State of California, Employment Development Department.

*L.A. County refers to the Los Angeles-Long Beach MSA.

Industry and Employment

The following table lists Burbank's major employers as of January 1, 2003. Most of these entities are also among the City's largest taxpayers.

CITY OF BURBANK MAJOR EMPLOYERS

<u>Entity</u>	<u>Employment</u>	<u>Products/Service</u>
Walt Disney Company	6,000	Motion Picture/Television
Time Warner Entertainment	5,000	Motion Picture/Television
St. Joseph Medical Center	1,800	Medical
National Broadcasting Company	1,700	Television and Radio
Burbank Unified School District	1,600	Government
City of Burbank	1,557	Government
B-G-P Airport Support Services	1,500	Government
American Broadcasting Companies	985	Television
Foto-Kem Industries Inc.	550	Motion Picture/Television
Healthline Clinical Labs	455	Health Laboratory

Source: City of Burbank License & Code Services.

Manufacturing employment has historically been concentrated in the aerospace industry, although a major aerospace employer, Lockheed-Martin, has relocated out of the Burbank area, along with some related auxiliary component manufacturers. The sites of these firms, some of which are in the process of being redeveloped into various industrial and commercial uses, are located within close proximity to the Burbank-Glendale-Pasadena Airport. The Airport is served by six scheduled airlines: Alaska Airlines, Aloha Airlines, American Airlines, America West Airlines, Southwest Airlines and United Airlines.

The entertainment industry has the greatest concentration of non-manufacturing industrial employment. Production facilities of Time Warner Entertainment, the National Broadcasting Company and Walt Disney Productions place Burbank in a leading role in the Southern California entertainment industry. It is anticipated that the demand for film and television employees will create a significant number of new jobs in Los Angeles County. This is expected to benefit Burbank since it is home to the above-mentioned large entertainment companies, as well as numerous support services companies.

As reported by the Community Development Department, the distribution of employment in the City is as shown on the following table:

CITY OF BURBANK
DISTRIBUTION OF EMPLOYMENT
(as of June 1, 2003)

<u>Classification</u>	<u>Employment</u>	<u>Distribution</u>
Durable and non-durable goods manufacturing	9,000	9.1%
Transportation, communications, public utilities	4,000	4.1
Wholesale and retail trade	16,000	16.2
Services (1)	60,000	60.6
Other	<u>10,000</u>	<u>10.0</u>
TOTAL	<u>99,000</u>	<u>100.0%</u>

Source: The Natelson Company Inc.

(1) Includes entertainment industry.

Principal Property Owners and Taxpayers

The following table lists the City's top ten 2003-04 property owners, by assessed value.

CITY OF BURBANK PRINCIPAL PROPERTY OWNERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Percentage of Assessed Valuation</u>
Time Warner Entertainment	Motion picture and television	\$ 678,914,595	5.40%
Walt Disney Productions	Motion picture and television	585,505,515	4.66
Burbank Mall Associates	Retail properties	206,264,424	1.64
Sisters of Providence in California	Hospital	187,459,522	1.49
National Broadcasting Co.	Major television network	156,255,723	1.24
Disney Channel	Motion picture and television	127,797,283	1.02
Douglas Emmett Joint Venture	Office buildings	120,481,587	0.96
West Alameda Avenue Property LLC	Properties	115,000,000	0.92
Zelman Burbank Empire LLC	Retail	106,606,793	0.85
Southwest Airlines Co	Airline	81,651,430	0.65
Top Ten Total		2,365,936,872	18.83
Other Taxpayers		<u>10,199,324,273</u>	<u>81.17</u>
Total for entire City		<u>\$12,565,261,145</u>	<u>100.00%</u>

Source: Los Angeles County Assessor.

The following table lists the City's top ten 2003-04 property taxpayers, by revenue.

CITY OF BURBANK PRINCIPAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Revenue</u>	<u>Percentage Of Total Revenue</u>
Burbank Mall Associates	Retail properties	\$ 2,000,180	4.81%
National Broadcasting Co.	Major television network	1,529,412	3.68
Time Warner Entertainment	Motion picture and television	1,466,600	3.52
Walt Disney Pictures	Motion picture and television	1,277,768	3.07
Zelman Burbank Empire LLC	Retail	815,491	1.96
Southwest Airlines Co	Airline	713,575	1.71
Avalon Promenade Inc.	Retail	696,062	1.67
Media Center Development LLC	Motion picture and television	571,147	1.37
SHC Burbank LLC	Hotel	533,722	1.28
Joseph A Perry	Hotels	<u>436,799</u>	<u>1.05</u>
Top Ten Total		10,040,756	24.13
Other Taxpayers		<u>31,573,266</u>	<u>75.87</u>
Total for entire City		<u>\$41,613,982</u>	<u>100.00%</u>

Source: Los Angeles County Assessor.

Income

The following table compares the median household effective buying income for the City, the County of Los Angeles, the State and the nation.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

<u>Year</u>	<u>City of Burbank</u>	<u>County of Los Angeles</u>	<u>State of California</u>	<u>United States</u>
1997	\$35,730	\$34,356	\$35,483	\$34,518
1998	36,064	34,554	37,091	35,377
1999	37,461	36,729	39,402	37,233
2000	42,725	41,628	44,464	39,129
2001	41,154	40,789	43,532	38,365

Source: "Survey of Buying Power," Sales and Marketing Management.

Taxable Sales

The table below shows the history of taxable transactions for the City for the years indicated:

CITY OF BURBANK TAXABLE SALES (\$ in thousands)

<u>Type of Business</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002*</u>
Retail Stores					
Apparel	\$ 90,856	\$ 44,832	\$ 45,163	\$ 47,845	\$ 28,224
General Merchandise	159,731	219,194	233,073	243,720	141,977
Food	64,470	70,174	83,569	75,501	31,935
Eating & Drinking Places	162,866	173,005	186,909	197,355	104,406
Home Furnishing & Appliances	129,777	246,331	266,305	281,997	77,042
Bldg Materials & Farm Implements	51,265	66,502	60,975	71,502	55,973
Auto Dealers & Suppliers	35,735	49,688	61,073	74,298	46,297
Service Stations	72,449	95,420	110,198	111,720	50,364
Other Retail Stores	<u>229,867</u>	<u>259,446</u>	<u>269,795</u>	<u>255,733</u>	<u>129,004</u>
Retail Stores Total	997,016	1,224,592	1,317,060	1,359,671	665,222
All Other Outlets	<u>614,477</u>	<u>519,654</u>	<u>556,142</u>	<u>598,749</u>	<u>310,207</u>
Total All Outlets	<u>\$1,611,493</u>	<u>\$1,744,246</u>	<u>\$1,873,202</u>	<u>\$1,958,420</u>	<u>\$975,429</u>

Source: California State Board of Equalization.

*For 1st and 2nd quarters only. 3rd and 4th quarter taxable sales data has not yet been published by the California State Board of Equalization.

Construction Activity

The number of building permits issued by the City for the years indicated is set forth below.

CITY OF BURBANK BUILDING PERMITS

<u>Year</u>	<u>Number of Permits</u>
1991	1,957
1992	2,235
1993	2,096
1994	2,770
1995	2,362
1996	2,071
1997	2,197
1998	2,310
1999	2,386
2000	2,410
2001	2,502
2002	2,672

Source: City of Burbank Building Division.

The total valuation of building permits issued in the City for calendar year 2002 was approximately \$134.95 million. This compares with approximately \$268.5 million for calendar year 2001. The following table provides a summary of building permit valuations authorized in the City during the past five years.

CITY OF BURBANK BUILDING PERMIT VALUATION Calendar Years -1998-2002 (\$ in millions)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Valuation*					
Residential	\$ 31.1	\$ 33.1	\$ 52.4	\$ 77.4	\$ 53.0
Commercial/Industrial	155.8	45.3	51.6	179.6	76.6
Other	<u>5.5</u>	<u>2.9</u>	<u>12.9</u>	<u>11.5</u>	<u>5.3</u>
TOTAL	<u>\$192.4</u>	<u>\$81.3</u>	<u>\$116.9</u>	<u>\$268.5</u>	<u>\$ 134.9</u>
New Dwelling Units					
Single Family	\$12.1	\$12.4	\$24.1	\$ 6.7	\$ 8.3
Two Family	0.1	0.2	0.0	.1	.5
Apartment Buildings	<u>2.0</u>	<u>1.8</u>	<u>1.1</u>	<u>32.7</u>	<u>12.2</u>
TOTAL	<u>\$14.2</u>	<u>\$14.4</u>	<u>\$25.2</u>	<u>\$39.5</u>	<u>\$21.0</u>

Source: City of Burbank Building Division.

*Valuation encompasses new dwellings and remodeling of existing structures.

Economic Condition and Outlook

A recent and significant addition to Burbank's commercial market includes the Burbank Empire Center built on former Lockheed land just southwest of the Golden State (I-5) Freeway. The Burbank Empire Center is a 103-acre mixed use project that incorporates 600,000 square feet of retail space; 600,000 square feet of office space; two extended-stay hotels with a total of 350 rooms; a 160,000 square feet Sears

Great Indoors facility; and a 160,000 square foot Costco facility. Other major retail anchors include Target, Lowe's Home Improvement, Marshall's, Best Buy, Linen N' Things, Sportsmart, and Michael's along with several other retail stores and restaurants. The estimated number of jobs created by this project was approximately 3,350.

In downtown Burbank, AMC theaters opened a 16-screen theatre complex on June 20, 2003 with retail and restaurant space to be completed by December 2003 (Phase I). This replaced the existing AMC 14-screen theatre with a state-of-the-art, stadium-style seating theatre. This project will also include a second phase with retail and restaurant space, and a new parking structure. The City will also continue its efforts in developing a mixed-use project at the old police block site in the downtown area that is to include residential, office and retail uses. Burbank Village Walk, the mixed-use residential and retail component of the Old Police Block Project, was approved in February 2003, and will include 140 for-sale residential units and 14,000 square feet of retail and restaurant space. The Burbank Civic Plaza, the office component of the project, was approved in March 2003, and will include 76,000 square feet of office space and 12,000 square feet of retail, restaurant and commercial service space. Both components are expected to begin construction in the 3rd quarter of 2003.

Media Studios North office campus is among a number of office development projects being undertaken in Burbank. Located on the north side of Burbank near the airport, the project encompasses nearly 650,000 square feet of office space. Major tenants include Disney Animation and Technicolor. Also adjacent to the airport is the Airport Plaza office building which provides an additional 155,000 square feet of new office space in the City.

A notable project being developed in the media district of the City is the Pinnacle project. Once completed, the project will include 585,000 square feet of office space situated above a four-level parking garage. Phase I is complete and includes tenants such as Warner Music, NBC, Clear Channel and an Arnie Morton's Steakhouse. Phase II for the remaining 205,000 square feet is scheduled to begin construction in late 2003, pending leases. Additionally, near NBC is the Bob Hope project, which includes 100,000 square feet of office space along with a performing arts theater and museum.

With increasing housing costs, the City remains committed to providing affordable housing opportunities. The recently completed Riverside Drive provides 20 housing units in the Rancho District. Another 20 single-family units are under construction just east of the airport and will be accompanied by a child care facility and play yard. Additionally, the Burbank Senior Artists Colony project in the South San Fernando Project Area will provide 141 senior housing units to help meet the growing demand for senior citizen housing. Groundbreaking for that project occurred on July 23, 2003.

Utilities

The City of Burbank provides its own municipal electric, water and sewer utilities. Southern California Gas Company and SBC Communications, Inc. also serve Burbank.

Fiscal Operation

The City uses the modified accrual basis of accounting for all funds except proprietary funds which use the accrual basis of accounting. The City's financial statements are prepared in conformity with generally accepted accounting principles.

The City adopts an annual budget and utilizes an "encumbrance system." Under this procedure, commitments such as purchase orders and contracts at year-end are recorded as restrictions of fund balance through a reserve account. Generally, City staff begins preparation of the budget in January of the prior fiscal year, and the City Council adopts the budget in June of the prior fiscal year after holding a public hearing. The 2003-04 fiscal year budget was adopted on June 17, 2003.

Retirement Programs

Defined Contribution Plan. The Welfare Benefit Plan (VEBA) Trust (the Plan) is a defined contribution plan established by the City to provide post retirement medical and educational assistance benefits to members of the Burbank Police Officer's Association. At June 30, 2003, there were 158 active plan members and 36 active retired members. Plan members are required to contribute their final vested sick pay at retirement. The City is required to contribute 1.5% of the Burbank Police Officer's Association annual covered salary. Plan provisions and contribution requirements are established and may be amended by the City Council. Investments are on a pooled basis and are determined by the VEBA committee, of which City and Burbank Police Officer's Association participate. The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The employer and plan member contributions are recognized in the period that the contributions are made. Plan investments are reported at fair value. At June 30, 2002, the market value of plan assets was \$1,382,985.

Defined Benefit Plan. The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance.

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; as of June 30, 2003, for miscellaneous and Fire employees the rate is zero. As of June 30, 2003, for Police employees the rate was 5.437%. The contribution requirements of plan members and the City are established and may be amended by PERS.

For 2003, the City's annual pension cost of \$6,747,755 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2000, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a four-year period (smoothed fair value).

All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20 year period. In addition, all gains or losses are tracked, and 10% of the net unamortized accumulated gain or loss is amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30 year amortization of the unfunded liability.

Risk Management

The City is self-insured for the first \$1,000,000 on each general liability claim against the City. The City self-insures for all workers compensation claims. At June 30, 2002, \$4,162,923 was accrued for general liability claims, and \$12,695,846 accrued for workers compensation claims. These amounts were determined by an actuarial study of the City's liability, performed biannually. These accruals represent estimates of amounts to be paid for incurred and reported claims as well as incurred but unreported claims based upon past experience and modified for current trends and information. These amounts are not discounted.

While the ultimate amounts of losses incurred through June 30, 2002, are dependent on future developments, based upon information provided from the City Attorney, outside legal counsel and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses. The City is insured with outside insurance carriers for certain amounts in excess of self-insurance limits. There have been no reductions during the fiscal year in insurance coverage, nor have there been any settlements in excess of insurance coverage for the past three years.

The City was a participant in the Authority for California Cities Excess Liability (ACCEL) from May 1987 through June 1998. As a result of this involvement, the City still shares in losses of member agencies for claims filed through June 1998. To meet this obligation, funds for fiscal years 1987 through 1998 are kept on deposit until such time as these claims actively cease to exist. As of June 30, 2002, the City has \$324,000 on deposit with the Authority.

As of July 1, 1998, the City became a participant in the California Authority for Municipal Excess Liability (CAMEL). This is an insurance arrangement wherein the City self-insures all liability losses for the first \$1,000,000 in losses before insurance coverage participates. The limit of coverage in CAMEL is \$10,000,000. The City does not share risk as under ACCEL, rather, the City maintains an individual policy. The City purchases an additional \$10,000,000 in coverage in excess, for a total coverage of \$20,000,000.

Changes in the self-insurance liability for the last two fiscal years were as follows:

	<u>2000/01</u>	<u>2001/02</u>
Beginning liability, July 1	\$13,910,000	\$13,910,000
Claims and changes in estimates	3,017,000	5,485,614
Claims payments during the year	<u>(3,017,000)</u>	<u>(2,537,272)</u>
Ending liability, June 30	<u>\$13,910,000</u>	<u>\$16,858,769</u>

City Investment Policy and Portfolio

The City annually adopts an investment policy (the "Investment Policy") governing the investment of public funds. The City Treasurer is required to present each Investment Policy to an Oversight and Review Committee and the Fiscal & Treasurer's Review Group for concurrence before it is presented to the City Council for approval. Authority to invest public funds is delegated by the City Council to the City Treasurer. In the event the City Treasurer is absent from the City or is subject to any temporary or permanent disability to act as such, the Financial Services Director is authorized to act as deputy of the City Treasurer and to perform all acts authorized to be performed by the City Treasurer.

The Investment Policy sets forth three fundamental criteria to be followed in the City's investment program: (a) safety, (b) liquidity, and (c) yield. The Investment Policy also sets forth the types of permitted investments as well as the maximum percentage of total investments that may employ any one type. The Investment Policy sets forth maturity limitations and limits the financial institutions to whom investment may be made.

The Investment Policy provides that the investment of bond proceeds is to be covered by the bond indenture, subject to those investments permitted by the California Government Code.

Copies of the Investment Policy are available upon request from Mr. Derek Hanway, Financial Services Director, City of Burbank, 301 East Olive Avenue, Burbank, California 91502, Phone: (818) 238-5500, Fax: (818) 238-5520.

The City's investment inventory as of June 30, 2003, was as follows:

<u>Type</u>	<u>Market Value</u>	<u>% of Portfolio</u>
FHLMC Debentures	\$ 21,593,281	8.12
Medium Term Notes	48,344,281	18.18
Federal Farm Credit	5,010,938	1.88
Federal Home Loan Bank Bonds	53,051,664	19.95
Federal National Mortgage Association Obligations	10,057,813	3.78
Student Loan Marketing Assn.	5,003,125	1.89
Local Agency Investment Fund	122,848,669	46.20
Total	<u>\$265,909,771</u>	<u>100.00</u>

Source: City of Burbank.

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APPENDIX B

SUMMARY OF THE INDENTURE AND THE AGENCY INDENTURE

The following is a brief summary of the provisions of the Indenture and the Agency Indenture not otherwise summarized in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the full text of such documents for the complete terms thereof.

INDENTURE

Definitions

“Act” means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Agency” means the Redevelopment Agency of the City of Burbank, a public body corporate and politic organized under the laws of the State, and any successor thereto.

“Agency Bonds” means the Agency’s Redevelopment Agency of the City of Burbank City Centre Redevelopment Project Tax Allocation Bonds, 1993 Series A, all of which are to be purchased with amounts in the Purchase Fund and outstanding under the Agency Indenture.

“Agency Indenture” means that certain Indenture of Trust, dated as of March 1, 1990, by and between the Agency and Bank of America National Trust and Savings Association, as trustee, as amended and supplemented by that certain First Supplemental Indenture of Trust, dated as of May 1, 1993, by and between the Agency and Bank of America National Trust and Savings Association, as trustee, as further amended and supplemented by that certain Second Supplemental Indenture of Trust, dated as of October 1, 2003, by and between the Agency and the Trustee, as successor trustee, pursuant to which the Agency issued the Agency Bonds, as such indenture may hereafter be amended and supplemented.

“Agency Trustee” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States of America, or any other entity designated in accordance with the Agency Indenture as successor trustee for the Agency Bonds.

“Authority” means the Burbank Public Financing Authority, a joint powers authority duly organized and existing under the laws of the State and the Joint Exercise of Powers Agreement, dated March 16, 1993, by and between the City and the Agency.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Year" means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on December 1, 2003.

"Bonds" means the Burbank Public Financing Authority Revenue Bonds, 2003 Series C (City Centre Redevelopment Project), 2003 Series C, authorized by and at any time Outstanding pursuant to the Bond Law and the Indenture.

"Business Day" means a day of the year, other than a Saturday or Sunday, or legal holiday on which banks in the State of California are required or authorized to remain closed.

"Certificate of the Authority" means a certificate in writing signed by the Chairman, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"City" means the City of Burbank, California, a municipal corporation and charter city organized and existing under the Constitution and laws of the State.

"Closing Date" means the date of delivery of the Bonds to the original purchaser thereof.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate executed by the Agency, and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, the Trustee and the Agency Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

"Costs of Issuance Fund" means the fund established and held by the Trustee pursuant to the Indenture.

"County" means the County of Los Angeles, a political subdivision organized and existing under the laws of the State.

"Defeasance Obligations" means (a) cash; (b) non-callable Federal Securities (including State and Local Government Securities); (c) non-callable direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America; (d) non-callable bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) U.S. government guaranteed public housing notes and bonds; and (vii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development; and (e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to the Indenture.

"Depository System Participant" means any participant in the Depository's book-entry system.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Excess Investment Earnings" means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Bonds, determined pursuant to section 148(f) of the Tax Code.

"Event of Default" means any of the events described in the Indenture.

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by the full faith and credit of the United States of America; and (c) any obligations issued by the State of California or any political subdivision thereof the payment of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b), as verified by an independent certified public accountant, and rated "AAA" and "Aaa" by S&P and Moody's, respectively.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Authority, the City or the Agency; (b) does not have any substantial interest, direct or indirect, in the Authority, the City or the Agency; and (c) is not connected with the Authority, the City or the Agency as an officer or employee of the Authority, the City or the Agency but

who may be regularly retained to make annual or other audits of the books of or reports to the Authority, the City or the Agency.

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed and paid by the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or the Agency; (b) does not have any substantial interest, direct or indirect, in the Authority or the Agency; and (c) is not an officer or employee of the Authority or the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the Agency.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor; Moody's Investors Service "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Called Bonds Department; Kenny S&P, 55 Water Street, 45th Floor, New York, NY 10041, Attention: Notification Department; Standard & Poor's Corporation "Called Bond Record," 25 Broadway, 3rd Floor, New York, NY 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means June 1 and December 1 in each year, beginning December 1, 2003, and continuing thereafter so long as any Bonds remain Outstanding.

"Maximum Annual Debt Service" means, as of the date of calculation, the maximum amount obtained by totaling, for the current or any future Bond Year, the sum of: (a) the principal amount of all Outstanding Bonds maturing in such Bond Year; (b) the aggregate principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such Bond Year, together with any premium thereon; and (c) the interest which would be due during such Bond Year on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate principal amount the aggregate principal amount of Bonds no longer Outstanding.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to the Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Investments" means any of the following which at the time of investment are determined by the Authority (any investment direction by Request of the Authority to the Trustee shall be deemed to be a representation by the Authority that such determination has been made as to such investment by the Authority) to be legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farm Credit System Financial Assistance Corporation, (iii) Farmers Home Administration; (iv) General Services Administration; (v) U.S. Maritime Administration; (vi) Small Business Administration; (vii) Government National Mortgage Association (GNMA); (viii) U.S. Department of Housing & Urban Development (PHA's); and (ix) Federal Housing Administration;

(c) senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including any money market fund for which the Trustee or an affiliate receives fees for investment advisory or other services to the fund;

(g) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) shares in California Arbitrage Management Program (CAMP), a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended; and

(j) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Principal Prepayments" means any amounts received by the Trustee representing (a) a redemption of any of the Agency Bonds pursuant to the Agency Indenture, consisting of the principal amount of the Agency Bonds being redeemed and any premium paid upon such redemption, or (b) the amount due upon acceleration of Agency Bonds following a default under the terms of the Agency Indenture; but excluding in any event the amount of any regularly scheduled payments of principal of and interest on the Agency Bonds paid concurrent therewith.

"Purchase Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Rebate Account" means the account established and held by the Trustee pursuant to the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Request of the Authority" means a request in writing signed by the Chair, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"Reserve Account" means the Reserve Account created under the Agency Indenture.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Revenues" means: (a) all amounts derived from or with respect to the Agency Bonds, including but not limited to all Principal Prepayments and other payments of principal thereof and interest thereon; (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder, other than the Rebate Account; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder, other than the Rebate Account and the Costs of Issuance Fund.

"S&P" means Standard & Poor's Ratings Services, its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of the Indenture.

"Tax Code" means the Internal Revenue Code of 1986, as amended. Any reference to a provision of the Tax Code shall include the applicable Tax Regulations with respect to such provision.

"Tax Regulations" means temporary and permanent regulations promulgated under or with respect to section 103 and sections 141 through 150, inclusive, of the Tax Code.

"Trust Office" means the corporate trust office of the Trustee and such office as the Trustee may designate in writing to the Authority from time to time as the place for transfer, exchange or payment of the Bonds.

"Trustee" means Wells Fargo Bank, National Association and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Indenture.

Application of Proceeds of Sale of Bonds

Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall deposit the proceeds of sale thereof as follows: (a) an amount equal to the purchase price of the Agency Bonds, in lieu of redemption thereof, on December 1, 2003, including the applicable redemption premium, shall be deposited in the Purchase Fund, (b) an amount equal to capitalized interest on the Bonds through December 1, 2003, shall be deposited in the Interest Account, and (c) the remaining amount shall be deposited in the Costs of Issuance Fund.

Purchase Fund

The moneys deposited in the Purchase Fund shall be invested in direct obligations of the United States of America maturing on December 1, 2003. On December 1, 2003, the Trustee shall withdraw from the Purchase Fund the sum of \$21,533,700 and transfer such sum to the Agency Trustee. Such amount shall be applied by the Agency Trustee to purchase the Purchased Agency Bonds in lieu of the redemption thereof to the Authority on December 1, 2003, at 102% of the principal amount thereof, all pursuant to and in accordance with the provisions of the Agency Bonds Assignment Agreement. In accordance with the Agency Bonds Assignment Agreement, the ownership of the Agency Bonds so purchased shall be registered in the name of the Trustee upon the acquisition thereof. On December 2, 2003, any amounts remaining in the Purchase Fund shall be transferred to the Interest Account and the Purchase Fund shall thereupon be closed.

Costs of Issuance Fund

The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Request of the Authority. On April 1, 2004, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Interest Account and the Costs of Issuance Fund shall be closed.

Pledge of Revenues; Assignment of Rights

The Bonds shall be secured by a first lien on and pledge of all of the Revenues and a pledge of all of the moneys in the Revenue Fund, the Interest Account and the Principal Account, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of Bonds, date of

execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority (but not the obligations) in the Agency Bonds. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions of the Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the Agency under the Agency Bonds.

Receipt, Deposit and Application of Revenues

Deposit of Revenues; Revenue Fund. All Revenues described in clause (a) of the definition thereof shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust under the Indenture.

Application of Revenues: Special Accounts. On or before each date on which interest on the Bonds becomes due and payable, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) **Interest Account.** On or before each date on which interest on the Bonds becomes due and payable, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on any Interest Payment Date, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purposes of the Agency.

(ii) **Principal Account.** On or before each date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal coming due and payable on such date on the Bonds, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premiums) required to be redeemed on such date pursuant to any of the provisions of the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (A) paying the principal of the Bonds at the maturity thereof, (B) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof, or (C) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. All amounts on deposit in the

Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be withdrawn therefrom and transferred to the Agency to be used for any lawful purposes of the Agency.

(iii) **Surplus.** On December 1 of each year, after making the deposits required on such December 1 pursuant to the preceding clause (i) and (ii), the Trustee shall transfer any amount remaining on deposit in the Revenue Fund to the Agency, free and clear of the lien of the Indenture, to be used for any lawful purpose of the Agency.

(iv) **Reserve Account.** In the event that, as of any Interest Payment Date or date on which principal on the Bonds is due as described in clauses (i) and (ii) above, the amount on deposit in the Interest Account and the Principal Account is not fully sufficient to pay the amounts then due on the Bonds, the Trustee shall request an immediate transfer from the Agency Trustee of amounts on deposit in the Reserve Account of the Agency Indenture which have not fully paid debt service due on such date, in the amount necessary to make full payment on the Bonds due on such date. In the event that more than one series of the Agency Bonds has not fully paid its respective debt service due on such date, the Trustee shall request from the Agency Trustee withdrawals from the Reserve Account under the Agency Indenture for the delinquent Agency Bonds, based upon the amount of the delinquency on each such series of the Agency Bonds.

In the event of a draw on the Reserve Account under the preceding paragraph, the Agency shall receive a credit for debt service due on the Agency Bonds in the amount received by the Trustee pursuant to such draw.

Rebate Account. The Trustee shall deposit in the Rebate Account from time to time, from payments made by the Agency for such purpose pursuant to the Agency Indenture, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with the Indenture. Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in Requests of the Authority filed with the Trustee pursuant to the Indenture.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture or the Agency Indenture (other than the Purchase Fund) shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Agency two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Agency shall determine. All Permitted Investments shall be acquired subject to any limitations or requirements as may be established by the Written Request of the Agency (as defined in the Agency Indenture) filed with the Trustee. Moneys in all funds and accounts shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Agency, the Trustee shall invest any funds held by it in Permitted Investments described in clause (f) of the definition thereof.

All interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture shall be deposited in the Revenue Fund, except that such interest, profits and other income (i) on amounts in the Costs of Issuance Fund shall be retained therein to be used to the purposes thereof, (ii) on amounts in the Rebate Account shall be retained therein to be used for the purposes thereof, and (ii) on amounts in the Purchase Fund shall be retained therein to be used for the purposes thereof. Permitted Investments acquired as an investment of moneys in any fund established under the Indenture shall be credited to such fund.

The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Indenture.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

Certain Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Agency Bonds and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the

proceeds of Bonds, the Revenues and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the Agency, during regular business hours with reasonable prior notice.

No Parity Debt. Except for the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants Relating to Bonds.

(a) *Private Business Use Limitation.* The Authority shall assure that the proceeds of the Bonds (and the proceeds of the Agency Bonds) are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code.

(b) *Private Loan Limitation.* The Authority shall assure that no more than five percent (5%) of the net proceeds of the Bonds (and of the Agency Bonds) are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

(c) *Federal Guarantee Prohibition.* The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

(d) *No Arbitrage.* The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Tax Code.

(e) *Rebate Requirement.* The Authority shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government.

Covenants With Respect to Agency Bonds.

(a) *Sale of Agency Bonds.* The Authority may sell the Agency Bonds or any portion of the principal thereof upon written direction of the Authority to the Trustee specifying the principal amount and purchase price of the Agency Bonds to be sold, accompanied by: (i) cash and a written direction of the Authority as to any investment of such cash in Defeasance Obligations, (ii) a certificate of the Authority specifying the maturity or maturities and principal amounts of the Bonds to be defeased (in the manner contemplated by the Indenture) with such cash and any Defeasance Obligations specified pursuant to the preceding clause (i), (iii) a written certificate of an Independent Financial Consultant to the effect that the aggregate of the principal and interest due on the portion, if any, of such Agency Bonds to be retained by the Trustee following such sale will be sufficient in time and amount to timely pay the principal and interest due on the Bonds which will remain Outstanding following such sale, and (iv) an opinion of Bond Counsel to the effect that such sale, in itself, will not adversely affect the exclusion from the gross incomes of the Owners of the interest on the Bonds. Upon receipt of such documents, the Trustee shall invest such cash as specified by the Authority pursuant to clause (i) above and hold such investments and any uninvested cash in an escrow fund to be used solely for payment of the Bonds defeased therewith, and shall cooperate with the Authority in the transfer of such Agency Bonds so sold to the purchaser thereof. Upon the discharge of all of the Bonds pursuant to the Indenture, the Trustee shall thereupon convey all of its right, title and interest in and to the Agency Bonds to the Agency.

(b) *Amendment of Agency Bonds.* Neither the Trustee nor the Authority shall consent or agree to consent to any amendment or modification of the Agency Indenture unless the Authority shall have obtained, and caused to be filed with the Trustee, (a) if applicable, the report of an Independent Financial Consultant stating that such amendment or modification will not cause a reduction in the amount of Revenues required to pay debt service on the Bonds, and (b) an opinion of Bond Counsel stating that such amendment or modification will not materially adversely impair the interests of the Bond Owners under the Indenture, and will not cause interest on the Bonds to be includable in gross income of the Bond Owners for federal income tax purposes. The Trustee and the Authority may conclusively rely on such report of the Independent Financial Consultant and Opinion of Bond Counsel and shall, in each case, be protected in relying thereon.

(c) *Collection of Revenues.* The Trustee shall collect and cause to be paid to it all Revenues promptly as such Revenues become due and payable, and, subject to the provisions of the Indenture, shall enforce and cause to be enforced all rights of the Trustee under and with respect to the Agency Bonds..

(d) *Notification of Agency Bonds Default.* Upon receiving actual knowledge of either (i) the failure to pay when due any installment of principal of or interest or premium (if any) on any of the Agency Bonds, or (ii) the occurrence of any other default under the Agency Indenture, the Trustee shall promptly notify the Authority of such failure or event of default by telephone, telefax or other form of telecommunication, promptly confirmed in writing. Such notice shall identify the nature of the default.

(e) *Exercise of Remedies With Respect to Agency Bonds.* Upon the occurrence of a default with respect to any of the Agency Bonds, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, subject to the provisions of the Indenture, exercise any and all remedies granted to the Trustee as registered owner of the Agency Bonds.

(f) *Optional Redemption of Agency Bonds.* The Authority shall not consent to the optional redemption of any of the Agency Bonds unless it shall first have obtained a certificate of an Independent Financial Consultant which: (i) specifies (A) the premium, if any, to be paid by the Agency in connection with such optional redemption, (B) the principal amount and redemption date and price of any Bonds to be redeemed as a result of the optional redemption of the Agency Bonds, and (C) the date and principal amount of any sinking fund redemption payments to be reduced as a consequence of any such optional redemption, and (D) the date and principal amount of any sinking fund redemption payments to be reduced as a consequence of the proposed optional redemption of the Agency Bonds; and (ii) concludes that, based upon the information supplied in clauses (i)(A) through (D) above, and in reliance upon the Trustee, the Agency Trustee, the Agency and the Authority implementing the redemption of the Agency Bonds and the Bonds in a manner consistent with such information, the aggregate of the scheduled principal and interest due on the Agency Bonds which remain Outstanding (as defined in the Agency Indenture) following such redemption will be sufficient in time and amount to timely pay the principal and interest due on the Bonds which will remain Outstanding following any redemption of the Bonds as a result of the optional redemption of the Agency Bonds. The Authority and the Trustee may conclusively rely upon any such certificate of an Independent Financial Consultant in connection with the redemption of the Bonds and the reduction of any sinking fund payments as a consequence of such optional redemption.

The consent of the Authority to any such optional redemption of the Agency Bonds may be executed and delivered by the Executive Director of the Authority, who is authorized to so

execute and deliver any such consent following receipt of the certificate of an Independent Financial Consultant described in the preceding paragraph, without the need for any further action by the Board of Directors of the Authority. No officer of the Authority shall be subject to any personal liability by reason of his execution and delivery of any such consent.

Continuing Disclosure. The Authority covenants and agrees that it will assist the Agency in complying with and carrying out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Authority or the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Participating Underwriter or the owners of at least 25% aggregate principal amount of Outstanding Bonds but only to the extent indemnified to its satisfaction from any liability or expense, including fees of its attorneys, shall) or any Bondholder may, take such actions as may be necessary and appropriate to compel performance by the Agency of its obligations under the Continuing Disclosure Certificate, including seeking mandate or specific performance by court order.

The Trustee

Appointment of Trustee. Wells Fargo Bank, National Association is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank, corporation or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default under the Indenture has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would use in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers of the Indenture and perform the duties required of it under the Indenture by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture. The Trustee may conclusively rely on an opinion of counsel as full and complete protection for any action taken or suffered by it under the Indenture.

(c) The Trustee shall not be responsible for any recital in the Indenture or in the Bonds, or for any of the supplements thereto or thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured thereby and the Trustee shall

not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Indenture.

(d) The Trustee may become the Owner of Bonds secured by the Indenture with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected in acting, in good faith, upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default under the Indenture of which the Trustee has been given notice or is deemed to have notice, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture except failure by the Agency to make any of the payments to the Trustee required to be made by the Agency on any of the Agency Bonds or failure by the Authority or the Agency to file with the Trustee any document required by the Indenture or the Agency Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(k) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) The Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the Authority, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

(o) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, or the Authority may (and the Authority, at the request of the Agency shall) so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee at least thirty (30) days prior to the effective date of each removal, whereupon the Authority or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in the Indenture. Notwithstanding any other provision of the Indenture, no removal or termination of the Trustee shall take effect until a successor shall be appointed. The Trustee may be removed at any time with the consent of the Authority for any breach of the trust set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give thirty (30) days' written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority and the Agency by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, with the prior written consent of the Agency, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in the Indenture or within ninety (90) days following the receipt of notice by the Authority pursuant to the Indenture, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed

by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon written acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture or under any the Agency Indenture, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability under the Indenture if it is not assured to its satisfaction that repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under the Indenture. The obligations of the Authority under this paragraph shall survive the resignation or removal of the Trustee under the Indenture or any defeasance of the Bonds.

Amendments

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved in the Indenture to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(d) to amend any provision of the Indenture relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Tax Code, in the opinion of Bond Counsel; or

(e) to facilitate the issuance of additional obligations of the Agency pursuant to the Agency Indenture.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Events of Default and Remedies

The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee; *provided, however*, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, upon notice in writing to the Authority and the Agency, pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Notice of the occurrence of any Event of Default shall be given by the Trustee to the Bond Owners if and to the extent required pursuant to the Indenture and indemnification is provided to the Trustee pursuant to the Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; *provided, however*, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) to the payment of principal of the Bonds then due and payable, such that the unpaid principal reflects, to the furthest extent possible, the unpaid portion of the Agency Bonds, in the event that the available amounts are insufficient to pay all such principal in full, and

(c) to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Limited Liability of Authority

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable under the Indenture from the Revenues or otherwise from amounts payable under the Agency Indenture). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in the Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or

upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in the Indenture provided.

Discharge of Indenture

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of, and the interest and premium (if any) on, such Bonds as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, non-callable Defeasance Obligations in such amount as an Independent Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to the Indenture, which are not required for said purposes, shall be paid over to the Authority.

AGENCY INDENTURE

Definitions

"Annual Debt Service" means the sums obtained for any Bond Year after the computation is made, by totaling the following for each such Bond Year

(a) The principal amount of all Outstanding serial Bonds and Outstanding serial Parity Bonds, if any, payable in such Bond Year and

(b) The amount of Mandatory Sinking Fund Payments, if any, for any Outstanding Term Bonds or Outstanding Term Parity Bonds to be made in such Bond Year in accordance with the applicable schedule or schedules of Mandatory Sinking Fund Payments; and

The interest which would be due during such Bond Year on the aggregate principal amount of Bonds and Parity Bonds which would be outstanding in such Bond Year, if the Bonds and Parity Bonds Outstanding on the date of such computation were to mature or be redeemed in accordance with the

maturity schedule or schedules for the serial Bonds and serial Parity Bonds and the schedules of Mandatory Sinking Fund Payments for any Term Bonds or Term Parity Bonds. At the time and for the purpose of making such computation, the amount of Term Bonds and Term Parity Bonds already retired in advance of the above mentioned schedules shall be deducted pro rata from the remaining amounts thereon.

“Authority” means the Burbank Public Financing Authority, a public body, corporate and politic, duly organized and existing under a joint exercise of powers agreement entered into by the City and the Agency pursuant to the California Government Code.

“Authority Bonds” means the Authority’s Burbank Public Financing Authority Revenue Bonds, 2003 Series C (City Centre Redevelopment Project), issued pursuant to the Authority Indenture.

“Authority Indenture” means the Indenture of Trust, dated as of October 1, 2003, by and between the Authority and the Authority Trustee.

“Authority Trustee” means Wells Fargo Bank, National Association, and any successor thereto acting in the capacity as trustee under the Authority Indenture.

“Authorized Representative” means the Executive Director of the Agency or such other person designated in writing by the Chairman of the Agency.

“Bond Insurer” means Capital Guaranty Insurance Company, a Maryland Corporation, as issuer of the Insurance Policy, and its successors and assigns.

“Bondowner” or *“Owner of Bonds”*, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee or representative. For the purpose of Bondowners’ voting rights or consents, Bonds owned by or held for the account of the Agency, or the City, directly or indirectly, shall not be counted.

“Bond” or *“Bonds”* means the 1990 Series A Bonds, the 1993 Series A Bonds and, to the extent required by any supplemental indenture, any Parity Bonds authorized by, and at any time Outstanding pursuant to, the Indenture and such supplemental indenture.

“Bond Year” means the year beginning December 2 and ending on the next following December 1 during the time any Bonds are outstanding.

“Business Day” means any day other than a Saturday, Sunday, legal holiday or other day on which banking institutions in Los Angeles, California, or in the city in which the principal office of the Trustee is located are authorized or required by law to close or on which the New York Stock Exchange is closed.

“Closing Date” means the date upon which there is a physical delivery of the 1993 Series A Bonds in exchange for the amount representing the purchase price of the 1993 Series A Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Indenture or the First Supplemental Indenture) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds, including the Insurance Policy premium, rating fees, the acceptance and initial annual

fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Official Statement, fees of financial consultants and other fees and expenses set forth in a Certificate of the Executive Director.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for trust funds held by the Trustee:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and

(b) direct general obligations of any agency, department or instrumentality of the United States of America the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America

"First Supplemental Indenture" means that certain indenture, supplemental to the Indenture, dated as of May 1, 1993, by and between the Trustee and the Agency.

"Fiscal Year" means the year beginning July 1st and ending on the next following June 30th.

"Haagen-Burbank Project" means the mixed-use project developed in accordance with the Disposition and Development Agreement between the Agency and the Haagen-Burbank Partnership, a California general partnership, dated September 26, 1989.

"Indenture" means that certain Indenture of Trust, dated as of March 1, 1990, by and between the Agency and the Trustee, as amended and supplemented.

"Insurance Policy" means, with respect to the 1990 Series A Bonds, the Financial Guaranty Bond issued by the Bond Insurer for the 1990 Series A Bonds and, with respect to the 1993 Series A Bonds, the Financial Guaranty Bond issued by the Bond Insurer for the 1993 Series A Bonds.

"Interest Payment Date" means, with respect to the 1993 Series A Bonds, June 1 and December 1 in each year, beginning December 1, 1993, and continuing so long as any 1993 Series A Bonds remain Outstanding.

"Mandatory Sinking Fund Payment" means the amount of money to be deposited into the Principal Account to be used to redeem Term Bonds or term Parity Bonds, at the principal amounts thereof, in the amounts and at the times set forth in the schedules of Mandatory Sinking Fund Payments contained in the Indenture or in a supplemental indenture adopted for the purposes of establishing said schedule or in any Indenture providing for the issuance of Parity Bonds.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year.

"1990 Series A Bonds" means the Agency's \$14,235,000 aggregate principal amount of City Centre Redevelopment Project Tax Allocation Bonds, 1990 Series A, \$11,085,000 of which were refunded by the issuance of the 1993 Series A Bonds.

"1993 Series A Bonds" means the Bonds authorized by the First Supplemental Indenture.

"Outstanding" or *"outstanding"* when used as of any particular time with reference to the Bonds, means all Bonds, except

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture or any supplemental indenture.

“Opinion or Counsel” means a written opinion of an attorney or firm of attorneys of favorable national reputation in the field of municipal bond law. Any opinion of such counsel may be based upon, insofar as it is related to factual matters, information which is in the possession of the Agency as shown by a certificate or opinion of, or representation by, an officer or officers of the Agency, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous.

“Parity Bonds” means any additional tax allocation bonds (including, without limitation, bonds, notes, interim certificates, debentures or other obligations) issued by the Agency as permitted by the Indenture which are on a parity with the Bonds.

“Permitted Investments” shall mean any of the following of an appropriate maturity:

(a) Obligations of, or guaranteed as to principal and interest by, the United States of America, or by any agency or instrumentality thereof hereinafter designated when such obligations are backed by the full faith and credit of the United States of America, limited to the following:

- (i) direct or fully guaranteed U.S. Treasury Obligations;
- (ii) certificates of beneficial ownership of the Farmers Home Administration;
- (iii) participation certificates of the General Services Administration;
- (iv) guaranteed The XI financing of the U.S. Maritime Administration;
- (v) guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration;
- (vi) Government National Mortgage Association (GNMA) GNMA-guaranteed mortgage backed securities GNMA-guaranteed participation certificates;
- (vii) local authority bonds of the U.S. Department of Housing and Urban Development;
- (viii) guaranteed transit bonds of the Washington Metropolitan Area Transit Authority,

(b) Obligations of instrumentalities or agencies of the United States of America, specifically limited to:

- (i) participation certificates and debt obligations of the Federal Home Loan Mortgage Corporation (FHLMC);
- (ii) consolidated debt obligations and letter of credit (LOC) backed issues of the Federal Home Loan Banks (FHLBanks)

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(iii) debt obligations and mortgage backed securities (excluded we shipped mortgage securities which are valued greater than par on the portion of unpaid principal) of the Federal National Mortgage Association (FNMA);

(c) debentures of the Federal Housing Administration;

(d) commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated in the highest rating category by Standard & Poor's Corporation;

(e) Interest bearing demand or time deposits issued by state banks or trust companies, savings and loan associations, federal savings banks or national banking associations, the deposits of which are insured by the Bank Insurance Fund (BIF) of the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation (SAIF) or any successors thereto. These deposits (a) must be continuously and fully insured by BIF or SAW or (b) must have maturities of less than 366 days and be deposited with banks the short term obligations of which are rated "A- 1+" by Standard & Poor's Corporation; and

(f) Money market mutual funds or portfolios investing in short-term United States Treasury securities rated AAA by Standard & Poor's Corporation.

"Purchase Date" means December 1, 2003, being the date on which the 1993 Series A Bonds are to be first purchased in lieu of redemption.

"Record Date" means the fifteenth day of the month preceding any interest payment date, whether or not such day is a Business Day.

"Redevelopment Plan" means the "Redevelopment Plan for City Centre Redevelopment Project," approved and adopted by the City by Ordinance No. 2315, and includes any amendment thereof heretofore or hereafter made pursuant to the Law.

"Redevelopment Project" means the City Centre Redevelopment Project

"Regulations" means regulations adopted by the Department of Treasury from time to time.

"Second Supplemental Indenture" means that certain indenture, supplemental to the Indenture, dated as of October 1, 2003, by and between the Trustee and the Agency.

"Tax Revenues" means that portion of taxes levied upon taxable property in the Redevelopment Project Area and received by the Agency on or after the date of the adoption of the Ordinance approving the redevelopment plan of the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XV of the Constitution of the State of California plus State reimbursed amounts, to the extent actually received, all as set forth in the Indenture.

Funds and Accounts

Redevelopment Fund. The Redevelopment Fund, created under the Indenture, will be held by the Agency. Bond proceeds will be deposited in the Redevelopment Fund after the Trustee makes required deposits to the Reserve Account and Interest Account of the Debt Service Fund. Moneys in the Redevelopment Fund may be used for any redevelopment purpose, including paying Costs of Issuance. If any sum remains in the Redevelopment Fund after the full accomplishment of the objectives and purposes for which the Bonds were issued, said sum shall be transferred to the Principal Account of the Debt Service Fund of the Agency. Disposition of Redevelopment Fund moneys may be further specified by resolution or other official action of the Agency.

Special Fund. The Special Fund, a special trust fund created under the Indenture, will be held by the Agency. Pledged Tax Revenues received by the Agency will be deposited into the Special Fund and irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Bonds until all of the Bonds and interest thereon have been paid, provided, however, that Pledged Tax Revenues will be released from the lien of the Indenture in any Bond Year and expended for other Redevelopment purposes, if (a) 100% of Annual Debt Service has been set aside in the Debt Service Fund, (b) the Agency is not in default under the Indenture and (c) the Reserve Account is equal to the Reserve Requirement. The Indenture requires the Agency to transfer pledged Tax Revenues to the Trustee from the Special Fund not later than five Business Days prior to June 1 or December 1 of each Bond Year an amount sufficient to pay principal and interest, when due, and, if necessary, to replenish any deficiency that may exist in any of the Accounts of the Debt Service Fund.

Debt Service Fund. The Debt Service Fund, a special trust fund created under the Indenture, will be held by the Trustee. The Trustee will create in this Debt Service Fund an Interest Account, Principal Account, Reserve Account and Redemption Account. The Pledged Tax Revenues transferred by the Agency to the Trustee for deposit into the Debt Service Fund and used in the following priority

(a) **Interest Account.** The interest on the Bonds until maturity shall be paid, when due, by the Trustee from the Interest Account. Deposits shall be made into the Interest Account on or before the fifth Business Day prior to June 1 and December 1 of each Bond Year in an amount which, when combined with moneys already on deposit therein, will be sufficient to pay interest becoming due and payable on the then outstanding Bonds on the next succeeding interest payment date.

(b) **Principal Account.** After the deposit has been made pursuant to subparagraph (a) above, the Trustee will deposit into the Principal Account not later than the fifth Business Day prior to December 1 of each Bond Year an amount which, when combined with moneys already on deposit therein, will be sufficient to pay the principal coming due on the then outstanding Bonds, including Mandatory Sinking Fund Payments, on the next succeeding December 1.

(c) **Reserve Account.** After deposits have been made pursuant to subparagraphs (a) and (b) above, the Trustee will deposit into the Reserve Account an amount which, when combined with moneys already on deposit therein, will be sufficient to meet the Reserve Requirement. Moneys in the Reserve Account shall be transferred to the Interest Account and/or the Principal Account to pay interest on and principal of the Bonds, including Mandatory Sinking Fund Payments, as they become due to the extent Pledged Tax Revenues are insufficient therefore. Any portion of the Reserve Account which is in excess of the Reserve Requirement shall be transferred to the Interest Account, semiannually not later than the fifth Business Day prior to June 1 and December 1 of each Bond Year.

In accordance with the Indenture the Agency may, at any time, elect to maintain the Reserve Requirement by obtaining (i) a letter of credit, (ii) a surety bond, or (iii) a policy of insurance in an amount which will guarantee to the Agency the full amount of the Reserve Requirement at such times as all or any portion of the Reserve Requirement is needed for transfer to the Interest Account and/or the Principal Account as before stated, provided that the letter of credit bank is rated in the top two rating categories by Standard & Poor's Corporation and that upon the expiration of the letter of credit, if not extended, the Agency shall obtain a substitute letter of credit, a surety bond or a policy of insurance as hereinafter provided, or shall deposit cash in the Reserve Account, and further provided that the issuer of any surety bond or insurance policy shall be rated in one of the top three rating categories by Moody's Investor's Service, Inc. and Standard & Poor's Corporation. The Agency shall acquire such alternate security and shall direct the Trustee to pay from money in the Reserve Account the letter of credit fees, the cost of a surety bond, or the insurance policy premium, as the case may be. Any money in the Reserve

Account after the Agency acquires the alternate security and pays the appropriate costs as herein provided shall be transferred to the Redevelopment Fund.

(d) **Surplus.** If in any Bond Year (a) 100% of Annual Debt Service has been set aside in the Debt Service Fund in such Bond Year, and (b) the Agency is not in default under the Indenture, and (c) the Reserve Account is equal to the Reserve Requirement, then all remaining Pledged Tax Revenues attributable to the then current Fiscal Year shall be released from the lien of this Indenture and shall first be paid to the Bond Insurer to satisfy any claims of the Bond Insurer against the Agency, including any claim for indemnification as described in the First Supplemental Indenture and second be paid to the Agency to be used for any lawful purpose.

In the event that amounts held in the Debt Service Fund are insufficient to provide for all amounts of interest on and principal of the Bonds due on any payment date, such amounts shall be deposited first to the Interest Account and applied pro rate to the payment of interest on the Bonds, without priority among them and then remaining amounts shall be deposited in the Principal Account and applied to the payment of principal of the Bonds, pro rate and without priority. If after allocation or available Pledged Tax Revenues to the Interest Account and the Principal Account as aforesaid, the amounts so held therein are insufficient to pay the full amount of principal and interest on the Bonds coming due on the next succeeding payment date, the Trustee shall immediately commence to take actions as directed by the Bond Insurer as authorized in the Indenture.

Investment of Funds

If the Trustee receives no written directions from the Agency as to the investment of moneys held in any Fund or Account, the Trustee shall, pending receipt of instructions, invest such moneys in Permitted Investments of the shortest maturities.

Moneys in the Redevelopment Fund and Special Fund may be invested in any investment authorized by law for the investment of Agency money, which will by their terms mature not later than the date the Agency estimates the moneys represented by the particular investment will be needed for withdrawal from such Fund.

Moneys in the Interest Account and the Principal Account of the debt service Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that before each interest payment date and principal payment date there will be in such Accounts, from matured obligations and other moneys already in such Funds, cash equal to the interest and principal payable on the respective payment dates.

Moneys in the Reserve Account shall be invested so that at least one-half of the Reserve Account, if any, shall be invested in Permitted Investments with maturities of less than six months and the remainder shall be invested in Permitted Investments with maturities of not more than five years, unless otherwise approved in writing by the Bond Insurer.

Except as otherwise provided, obligations purchased as an investment of moneys in any of said Funds and Accounts shall be deemed at all times to be a part of such Fund or Account and the interest accruing thereon and any gain realized from such investment shall be credited to such Account and any loss resulting from any such authorized investment shall be charged to such Account without liability to the Agency or the members and officers thereof or to the Trustee. The Agency or the Trustee, as the case may be, shall sell at the best price obtainable or present for redemption any obligation so purchased whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such Fund or Account. An investment constituting a part of any Fund or Account shall be valued at the then market value of such investment or face amount thereof, whichever is lower.

All funds and accounts are to be valued by a mark to market valuation conducted on a quarterly basis by the Trustee. The Trustee shall promptly deliver copies of such quarterly valuations to the Bond Insurer.

Issuance of Parity Bonds

The Agency may provide for the issuance of, and sell, Parity Bonds in such principal amounts as it estimates will be needed for the Redevelopment Project purposes.

The issuance and sale of any Parity Bonds shall be subject to the following conditions precedent

(a) The Agency shall be in compliance with all covenants in the Indenture.

(b) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental indenture, which shall provide for (i) bonds substantially in accordance with the Indenture, (ii) the deposit of a portion of the Parity Bond proceeds into the Reserve Account, or the acquisition of an alternate security in an amount sufficient, together with the balance of the Reserve Account, to equal the Reserve Requirement on all Bonds expected to be outstanding including the outstanding Bonds and Parity Bonds.

(c) Receipt of a certificate of an Authorized Representative of the Agency stating that for the then current and each future Bond Year, current fiscal year pledged Tax Revenues are at least equal to 1.25 times the Maximum Annual Debt Service on the Bonds and the Parity Bonds. In calculating Pledged Tax Revenues for the purposes of the issuance of Parity Bonds, the Agency may include:

(i) Tax Revenues attributable to Unitary Revenue to be received by the Agency based upon the most recent certified assessed valuation of taxable property in the Project Area received in writing by the Agency from the appropriate officer of the County of Los Angeles;

(ii) additional Pledged Tax Revenues to be received by the Agency due to increases in assessed valuation of taxable property in the Project Area resulting from new construction if the new construction is substantially completed with occupancy levels reasonably reflected in the assessed values of completed construction;

but exclude:

(iii) Pledged Tax Revenues attributable to the assessed valuation of the Haagen-Burbank Project.

(d) Such Parity Bonds shall mature on December 1, and interest thereon shall be payable on June 1 and December 1, subject to such dates being changed by a supplemental resolution of the Agency.

Certain Covenants

As long as the Bonds are Outstanding, the Agency has agreed to perform and abide by the following covenants made under the Indenture for the benefit of the Bondowners:

Completion of Redevelopment Project; Amendment of Redevelopment Plan. The Agency will diligently carry out and continue to completion, with all practicable dispatch, the project in accordance with its duty to do so under and in accordance with the Law and the Redevelopment Plan and in a sound and economical manner. The Redevelopment Plan may be amended as provided in the Law but the Agency will not make any such amendment if it will substantially impair the security or tax-exempt status of the Bonds or the rights of the Bondowners.

Management and Operation of Properties. The proceeds of the sale of the Bonds will be deposited and used as provided in the Indenture and any supplemental indenture and the Agency will manage and operate all properties owned by it and comprising any part of the Project in a sound and businesslike manner.

Against Encumbrances. The Agency will not issue any obligations payable, either as to principal or interest, from the Pledged Tax Revenues which have, or purport to have, any lien upon the Pledged Tax Revenues prior to or on a parity with the lien of the Bonds, except Parity Bonds. Notwithstanding the foregoing, nothing in the Indenture will prevent the Agency (i) from issuing and selling pursuant to the Law, refunding obligations payable from and having any lawful lien upon the Pledged Tax Revenues, if such refunding obligations were issued for the purpose of, and are sufficient for the purpose of, refunding any portion of the outstanding Bonds or Parity Bonds, or (ii) from issuing and selling obligations which have, or purport to have, any lien upon the Pledged Tax Revenues which is junior to the Bonds, or (iii) from issuing and selling Bonds or other obligations which are payable in whole or in part from sources other than the Pledged Tax Revenues. "Obligations" includes, without limitation, bonds, notes, interim certificates, debentures, or other obligations.

Punctual Payment; Extension of Time for Payment. The Agency will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued under the Indenture on the date, at the place, and in the manner provided in the Bonds. The Agency will not, except by agreement with a Bondowner and otherwise in accordance with provisions relating to the amendment of this Indenture, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding such claims for interest or in any other manner.

Payments of Taxes, Charges and Claims. The Agency will from time to time pay and discharge, or cause to be paid and discharged, all payments in lieu of taxes, service charges, assessments, or other governmental charges which may lawfully be imposed upon the Agency or any of the properties then owned by it in the Project Area, or upon the revenues and income therefrom, and will pay all lawful claims for labor, materials, and supplies which if unpaid might become a lien or charge upon any of said properties, revenues, or income or which might impair the security of the Bonds or the use of Tax Revenues or other legally available funds to pay the principal of and interest thereon, all to the end that the priority and security of the Bonds shall be preserved provided, however, that nothing in this covenant shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity thereof.

Books and Accounts; Financial Statements. The Agency will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries will be made of all transactions relating to the Project Area and the Pledged Tax Revenues and other funds relating to said Project, and will prepare within one hundred twenty (120) days after the close of each of its Fiscal Years a complete financial statement or statements for such year in reasonable detail covering the Project and the Pledged Tax Revenues and other funds, accompanied by an opinion of an independent certified public accountant appointed by the Agency, and will furnish a copy of such statement or statements to the Trustee, and any rating agency which maintains a rating on the Bonds, and upon written request, to any Bondowner.

Eminent Domain. If all or any part of the Project Area should be taken from it without its consent, by eminent domain proceedings or other proceedings authorized by law, for any public or other use under which the property will be tax exempt, the Agency will use its best efforts to have the base assessment roll reduced by the amount of the assessment of said property as shown on said base assessment roll.

Disposition of Property. The Agency covenants and agrees that it will not dispose of more than ten percent (10%) of the land area in the Redevelopment Project Area (including property shown in the Redevelopment Plan in effect on the date the Indenture is adopted as planned for public use, or property to be used for public streets, public off-street parking, sewage facilities, parks, easements, or right-of-way for public utilities, or other similar uses) to public bodies or other persons or entities whose property is tax exempt, unless such disposition will not result in the Pledged Tax Revenues to be received in the then current and each future Bond Year being less than 1.25 times the maximum Annual Debt Service on the Bonds and any Parity Bonds outstanding or to be outstanding, as shown by an Opinion of Counsel, based upon such certificate or opinion of an Independent Redevelopment Consultant of the Agency as such counsel may reasonably request. Copies of said report shall be provided to the Bond Insurer.

Statement of Indebtedness. The Agency agrees to file annually with the County Auditor a statement of indebtedness as provided in section 33675 of the Law.

Limitations on Additional Indebtedness

(a) The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case secured by a lien on all or any part of the Pledged Tax Revenues which is superior to or on a parity with the lien established hereunder for the security of the Bonds, excepting only Parity Bonds.

(b) The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case secured by a lien on all or any part of the Pledged Tax Revenues, which has the result of reducing the ratio of Pledged Tax Revenues to Maximum Annual Debt Service below 1.25 to 1.

(c) The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case secured by a lien on all or any part of the Pledged Tax Revenues, unless (i) such bonds, notes, obligations, agreements or indebtedness are secured by a fixed percentage pledge of Pledged Tax Revenues or (ii) are subordinate to the lien on Pledged Tax Revenues securing the Bonds.

(d) The Agency covenants that, so long as the Bonds are Outstanding, for the purpose of computing coverage levels required in connection with the issuance of Parity Bonds, the Agency will apply the average of the three prior years' total tax collection rather than the current tax levy.

Limitation on Disposition. The Agency covenants that, so long as the Bonds are Outstanding, the Agency will not remove more than ten percent (10%) of assessed value or ten percent (10%) of acres from the tax base. The Agency covenants that, so long as the Bonds are Outstanding, the Agency will not remove any assessed value or acres from the tax base if the coverage levels required in connection with the issuance of Parity Bonds cannot be met

Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Bondowners of the rights and benefits provided in the Indenture.

Tax Covenants.

Private Business Use Limitation. The Agency shall assure that the proceeds of the 1993 Series A Bonds are not used in a manner which would cause the Bonds or the Authority Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Tax Code.

Private Loan Limitation. The Agency shall assure that no more than five percent (5%) of the proceeds of the 1993 Series A Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting nonpurpose obligations as defined in the Tax Code or constituting assessments) to persons other than state or local government units.

Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the 1993 Series A Bonds or the Authority Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Tax Code.

No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the 1993 Series A Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the 1993 Series A Bonds or any bonds the proceeds of which are used to purchase the 1993 Series A Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Tax Code.

Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of interest on the 1993 Series A Bonds and the Authority Bonds from the gross income of the owners thereof to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 1993 Series A Bonds and the Authority Bonds.

Rebate Requirement. The Agency shall take all actions necessary to assure compliance with section 148(f) of the Code relating to the rebate of excess investment earnings, if any, to the federal government, with respect to the 1993 Series A Bonds and the Authority Bonds.

Limitations on Additional Indebtedness. The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case secured by a lien on all or any part of the Pledged Tax Revenues which is superior to or on a parity with the lien established hereunder for the security of the Bonds, excepting only Parity Bonds.

The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case secured by a lien on all or any part of the Pledged Tax Revenues, which has the result of reducing the ratio of Pledged Tax Revenues to Maximum Annual Debt Service below 1.25 to 1.

The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case secured by a lien on all or any part of the pledged Tax Revenues, unless (i) such bonds, notes, obligations, agreements or indebtedness are secured by a fixed percentage pledge of Pledged Tax Revenues or (ii) we subordinate to the lien on pledged Tax Revenues securing the Bonds.

Payment of Authority Expenses. The Agency hereby agrees to pay any and all expenses of the Authority incurred in connection with the administration of the Authority Bonds, including but not limited to trustee fees and expenses, and rebate payments to the federal government.

Payment of Authority Rebatable Amounts. The Agency agrees to furnish all information to, and cooperate fully with, the Authority, the Authority Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of the Authority Indenture. In the event that the Authority shall determine, pursuant to the Authority Indenture, that any amounts are due and

payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the 1993 Series A Bonds) to make such payment, the Authority shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall promptly pay to the Authority Trustee from available Tax Revenues or any other source of legally available funds, for deposit into the Rebate Account, the amounts determined by the Authority to be due and payable to the United States of America as a result of the investment of amounts on deposit in any fund or account established hereunder, together with all other amounts due and payable to the United States of America.

Taxation of Leased Property

Whenever any property in the Project Area has been redeveloped and thereafter is leased by the Agency to any person or persons (other than a public agency) or whenever the Agency leases real property in the Project Area to any person or persons (other than a public agency) for redevelopment, the property shall be assessed and taxed in the same manner as privately owned property, as required by the Law, and the lease or contract shall provide (a) that the lessee shall pay taxes upon the assessed value of the entire property and not merely upon the assessed value of his or its leasehold interest, and (b) that if for any reason the taxes levied on such property in any year during the term of the lease or contract be less than the taxes which would have been levied if the entire property had been assessed and taxed in the same manner as privately owned property, the lessee shall pay such difference to the Agency within thirty (30) days after the taxes for such year become payable to the taxing agencies and in no event later than the delinquency date of such taxes established by law. All such payments shall be treated as Tax Revenues, and when received by the Agency shall be deposited in the Special Fund.

The Trustee

In general, the Trustee's duties are those duties described in the Indenture including the duty to administer the Funds and Accounts created under the Indenture for the benefit of the Owners of the Bonds, to act as registrar of the Bonds and to pay to the Owners amounts received by the Trustee for payment of the principal of, interest and redemption premium, if any, on the Bonds. Except during the occurrence of an Event of Default, the Trustee undertakes to perform only those duties specifically set forth in the Indenture and is liable only for its own gross negligence or willful default in performing those duties. In case an Event of Default (as described in the section "Events of Default and Remedies of Bondowners") has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and will use the same degree of care in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Agency may, so long as the Agency shall not be in default, remove the Trustee initially appointed, or any successor. In addition, the Bond Insurer may request the Agency to remove the Trustee, and the Agency shall be required to remove the Trustee, upon a reasonable showing by the Bond Insurer of malfeasance or breach by the Trustee of the trusts created by the Indenture. Upon the removal of the Trustee, the Agency shall forthwith appoint a successor thereto, but any successor shall be a commercial bank or trust company, doing business and having an office in the City of San Francisco or the City of Los Angeles having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. The Trustee may resign at any time by giving written notice to the Agency and by giving the Owners notice by publication in a financial newspaper. Upon receiving notice of such resignation, the Agency will forthwith appoint a successor Trustee, and the resignation shall become effective upon assumption of the duties of the Trustee and acceptance of its appointment.

The Agency will pay the Trustee for its services. Further, the Agency shall pay or reimburse the Trustee upon its request for all reasonable expenses of the Trustee including the reasonable compensation

and expenses of its counsel. The Trustee shall not employ counsel whose fees and expenses the Trustee anticipates will be paid or reimbursed by the Agency unless it first gives written notice of the employment of such counsel to the Agency. In addition, the Agency has agreed under the Indenture to indemnify and save the Trustee harmless against liabilities which the Trustee may incur in the performance of its duties which are not due to its own negligence or willful misconduct, or breach of the trusts created in the Indenture.

Events of Default and Remedies of Bondowners

Each of the following shall constitute an event of default:

(1) Default by the Agency in the due and punctual payment of any installment or interest on any Bond or any Parity Bond when and as such interest installment shall become due and payable;

(2) Default by the Agency in the due and punctual payment of the principal of any Bond or any Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration, or otherwise;

(3) default made by the Agency in the observance of any of the covenants, the agreements or conditions contained in the Indenture, in the Bonds or the Parity Bonds, and such default shall have continued for a period of thirty (30) days following written notice to the Agency or

(4) Default by the Bond Insurer in the payment of any Bond which is Due for Payment; or

(5) The Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property.

In each and every event of default described in (1), (2) or (4) above, the Trustee shall, if so directed by owners of not less than a majority of the Bonds and Parity Bonds outstanding, and in each and every case of default described in (3) or (5) above, the Trustee may, with the prior written consent of the Bond Insurer, and shall if so directed by the written direction of the Bond Insurer to the Trustee and the Agency, declare the principal of all of the Bonds and Parity Bonds then outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds and Parity Bonds to the contrary notwithstanding.

Such declaration may be rescinded by written direction of the Bond Insurer (except as to any default under (4) above) and the owners of not less than a majority of the Bonds and Parity Bonds then outstanding provided the Agency (or the Bond Insurer, as to any default under (4) above) cures such default or defaults, including the deposit, with the Trustee of a sum sufficient to pay all principal on the Bonds and Parity Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds and Parity Bonds then outstanding, with interest at the rate of twelve percent (12%) per annum on such overdue installments of principal and, to the extent such payment of interest on interest is lawful at that time, on such overdue installments of interest, so that the Agency (or the Bond Insurer, as to any default under (4) above) is currently in compliance with all payment, deposit, and transfer provisions of the Indenture, and an amount sufficient to pay any expenses incurred by the Trustee in connection with such default

All of the Pledged Tax Revenues and all sums in the Funds and Accounts provided for in the Indenture upon the date of the declaration of acceleration, and all sums thereafter received by the Trustee shall be applied by the Trustee in the order following upon presentation and surrender of the Bonds and any Parity Bonds.

First, to the payment of (i) the costs and expenses of the Trustee and (ii) the costs and expenses of the Bond Insurer, the Bondowners or Parity Bond owners in declaring such event of default, including reasonable compensation to its or their agents, attorneys, and counsel

Second, in case the principal of the Bonds and any Parity Bonds shall not have become due and shall not then be due and payable, to the payment of the interest in default in the order of the maturity of the installments of such interest, with interest on the overdue installments at the rate of twelve percent (12%) per annum on the Bonds and any Parity Bonds (to the extent that such interest on overdue installments shall have been collected), such payments to be made ratably to the persons entitled thereto without discrimination or preference;

Third, in case the principal of the Bonds and any Parity Bonds shall have become and shall be then due and payable, to the payment of the whole amount then owing and unpaid upon the Bonds and any Parity Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate of twelve percent (12%) per annum on the Bonds and any Parity Bonds (to the extent that such interest on overdue installments of interest shall have been collected), and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds and any Parity Bonds, then to the payment of such principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest

The Bond Insurer, any Bondowner or Parity Bond owner shall have the right, for the equal benefit and protection of all Bondowners similarly situated -

(1) by mandamus, suit, action, or proceeding to compel the Agency and its members, officers, agents, or employees to perform each and every term, provision, and covenant contained in the Indenture and in the Bonds and any Parity Bonds, and to require the carrying out of any or all such covenants and agreements of the Agency and the fulfillment of all duties imposed upon it by the Law;

(2) by suit, action, or proceeding in equity to enjoin any acts or things which are unlawful, or the violation of any of the Bondowners' rights or owners of Parity Bonds; or

(3) upon the happening of any event of default, by suit, action, or proceeding in any court of competent jurisdiction, to require the Agency and its members and employees to account as if it and they were the trustees of an express trust

Refunding Bonds

All or a portion of the Bonds may be redeemed or paid prior to maturity from proceeds of refunding bonds or notes issued pursuant to the Law.

Amendment of the Indenture

The Indenture, and the rights and obligations of the Agency and of the Owners of the Bonds issued there under, may be modified or amended at any time by a supplemental or amendatory resolution executed and delivered by the Agency and the Trustee: (a) without the consent of Bondowners, but with prior written notice to the Bond Insurer, if such modification or amendment is for the purpose of adding covenants and agreements to further secure Bond payment, to prescribe further limitations and

restrictions on Bond issuance, to surrender rights or privileges of the Agency, to make modifications not affecting any outstanding series of Bonds for the purpose of curing any ambiguities, defects, or inconsistent provisions in the Indenture or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary and desirable to accomplish the me; provided that such modifications or amendments do not adversely affect the rights of the Owners of the Bonds; or (b) for any other purpose with the prior written consent of the Bond Insurer and Bondowners owning sixty percent (60%) in aggregate principal amount of the outstanding Bonds, exclusive of Bonds, if any, owned by the Agency or the City, and obtained as hereinafter set forth; provided, however, that no such modification or amendment shall, without the express consent of the registered owner of the Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, extend its maturity or the times for paying interest thereon, change the monetary medium in which principal and interest is payable, or create a mortgage, pledge, or lien upon the revenues superior to or on a parity with the pledge and lien created for the Bonds and any Parity Bonds or reduce the percentage of consent required for amendment or modification.

Any act done pursuant to a modification or amendment so consented to all be binding upon the Owners of all of the Bonds and shall not be deemed an infringement of any of the provisions of the Indenture or of the Law, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of the Indenture, and after such consent relating to such specified matters has been given, no Bondowner or Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the Agency or any officer thereof from taking any action pursuant thereto.

Defeasance

If the Agency shall pay or cause to be paid, or shall have made provision to pay (other, in each case, than with the proceeds of the Insurance Policy) upon maturity or upon redemption prior to maturity, to the owners of the Bonds, the principal of, premium, if any, and interest to become due thereon, through setting aside trust funds or setting apart in a reserve fund or special trust or escrow account created pursuant to the Indenture or otherwise, or through the irrevocable segregation for that purpose in a trust or escrow account with a Trustee meeting the qualifications set forth in the Indenture for successor trustees, an escrow deposit of investments sufficient therefore, without consideration of reinvestment earnings thereon, then the lien of the Indenture, including, without limitation, the pledge of the pledged Tax Revenues, and all other rights granted thereby, shall thereupon cease, terminate, and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Bonds shall no longer be deemed to be outstanding and unpaid; provided, however, that nothing in the Indenture shall require the deposit of more than such Federal Securities as may be sufficient, taking into account both the principal amount of such Federal Securities and the interest to become due thereon, to implement any refunding of the Bonds.

In the event of such a defeasance of the Bonds, the Trustee shall cause an accounting for such period or periods as shall be requested by the Agency to be prepared and filed with the Agency, and the Trustee, upon the request of the Agency, shall release the rights of the Bondowners under the Indenture and execute and deliver to the Agency all such instruments as may be desirable to evidence such release, discharge, and satisfaction, and the Trustee shall pay over or deliver to the Agency all moneys or securities held by it pursuant to the Indenture which were not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Provision shall be made by the Agency, satisfactory to the Trustee, for the mailing of a notice to the Owners of such bonds that such moneys are so available for such payment.

The Agency shall give written notice to the Bond Insurer of the defeasance of the Bonds, and shall provide the Bond Insurer with draft copies of the proposed escrow agreement, certified public

accountant's certificate stating that the escrow is sufficient to meet the standards of this section ("CPA Certification"), the preliminary official statement relating to refunding bonds issued to defease the Bonds (if applicable) and bond counsel opinion relating to such Bonds not less than five(S) Business Days prior to the scheduled defeasance.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of the investments referred to in this Section. Substitutions of securities in the escrow shall not be permitted, except with the written consent of the Bond Insurer. The deposit in the escrow shall be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Bonds to and including the date of redemption.

A copy of the escrow agreement and CPA Certification together with the final official statement for the refunding issue (if applicable), bond counsel opinion, trustee's receipt for the proceeds of refunding bonds (if applicable), the trustee's certification as to the application of proceeds of the refunding bonds shall be furnished to the Bond Insurer no later than ten (10) Business Days subsequent to the defeasance.

The escrow investments for the defeasance of the Bonds shall consist solely of one or more of the following: (a) cash; (b) State and Local Government Series securities issued by the United States Treasury; (c) United States Treasury bills, notes and bonds, as traded on the open market; and (d) Zero Coupon United States Treasury Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the Redevelopment Agency of the City of Burbank (the "Agency"), comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Agency have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

APPENDIX D

**AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Basic Financial Statements

(With Independent Auditors' Report Thereon)

June 30, 2002

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Agencywide Financial Statements:	
Statement of Net Assets (Deficits)	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit)	14
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds	15
Reconciliation of the Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	16
Notes to Basic Financial Statements	17
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Golden State Project Area Capital Projects Fund	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance (Deficits) – Budget and Actual – City Centre Project Area Capital Projects Fund	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – West Olive Project Area Capital Projects Fund	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Low and Moderate Income Housing Capital Projects Fund	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Golden State Project Area Debt Service Fund	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – City Centre Project Area Debt Service Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – West Olive Project Area Debt Service Fund	39
Report of Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Agency Members
Redevelopment Agency of the City of Burbank
Burbank, California:

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Burbank (Agency), a component unit of the City of Burbank, California, as of and for the year ended June 30, 2002, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Burbank as of June 30, 2002 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the basic financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001. Adjustments to beginning net assets/fund balances resulting from adoption of these standards are described in this note.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2002 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Redevelopment Agency of the City of Burbank's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

November 22, 2002

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

The information presented in the "Management's Discussion and Analysis" is intended to be a narrative overview of the Redevelopment Agency of the City of Burbank's (Agency) financial activities for the fiscal year ended June 30, 2002. We encourage readers to consider this information in conjunction with the accompanying basic financial statements. All amounts are expressed in thousands of dollars.

In June 1999, the Governmental Accounting Standards Board (GASB), which sets the financial reporting requirements for all state and local governments, established a new framework for financial reports. This new framework represents the biggest single change in the history of governmental accounting. These changes, which are collectively known as *GASB Statement 34: Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, are required to be implemented this fiscal year.

The changes provide reporting that is similar to private sector companies by showing agencywide financial statements with a "Net Assets" bottom line approach. However, government agencies are mandated to account for certain resources and activities separately, thereby necessitating a financial format by fund as shown in the Governmental Fund Statements section. The presentation of these two different types of statements together in one report requires the inclusion of two reconciliations found on pages 14 and 16 to assist the reader.

Financial Highlights

- The liabilities of the Agency exceeded its assets at the close of fiscal year June 30, 2002 by \$44,951 (net assets). Liabilities of the Agency exceed its assets due to the issuance of long-term debt for redevelopment of assets of which the Agency does not own or subsequently contribute.
- The Agency's total net assets increased by \$8,924 in fiscal year 2001-02.
- As of the close of fiscal year June 30, 2002, the Agency's governmental funds reported combined ending fund deficits of \$14,297, an increase of \$4,801 from the prior year. The Agency's total debt decreased by \$4,105 during the current fiscal year. The decrease is principally due to a reduction of its bonded indebtedness, as shown on note 8 of the notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Redevelopment Agency of the City of Burbank's basic financial statements. The Agency's basic financial statements are comprised of three components: 1) agencywide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. In addition to the basic financial statements and required supplementary information, this report also contains a calculation showing that the Agency has no excess surplus in its low and moderate income housing funds and budgetary comparison information for nonmajor governmental funds.

Agencywide Financial Statements

The *agencywide financial statements* are designed to provide readers with a broad overview of the Agency's finances. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the fiscal year's revenues and expenses are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus assets, liabilities, and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods.

This is the first year that the City of Burbank (City) has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Because this reporting model changes significantly both the recording and presentation of financial data, the City has not restated prior fiscal years for the purposes of providing comparative information for the MD&A. In future years, when prior year information is available, a comparative analysis of governmentwide data will be included in this report.

- The *Statement of Net Assets* presents all of the Agency's assets and liabilities, with the difference reported as *net assets (deficits)*. Over time, increases or decreases in net assets may serve as a useful indicator to determine whether the financial position of the Agency is improving or deteriorating.
- The *Statement of Activities* presents information showing the Agency's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and nonprogram revenues for support.

Both of the agencywide financial statements highlight functions of the Agency that are principally supported by property tax increment and bond proceeds from prior years. The governmental activities of the Agency include redevelopment activities in four of its project areas and interest on long-term debt. Redevelopment activities, in general, include providing needed public improvements, assisting with development and rehabilitation of existing properties, and providing low and moderate income housing to eliminate or alleviate blighting conditions.

The Agencywide Financial Statements can be found on pages 11 and 12 of this report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency only has governmental fund types.

Governmental funds – Government funds are used to account for essentially the same functions reported as *governmental activities* in the agencywide financial statements. However, unlike the agencywide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the agencywide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the agencywide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation on pages 14 and 16 to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains nine individual governmental funds, of which seven are considered to be major funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances, for each of these funds.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the agencywide and fund financial statements. The notes to basic financial statements can be found on pages 17-32 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information relating to the Agency's budget for its major capital projects and debt service funds. To demonstrate compliance with the budget, individual schedules comparing final budget and actual expenditures can be found in the supplementary information section in this report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

Agencywide Financial Analysis

Our agencywide analysis focuses on the net assets and changes in net assets for the Agency's governmental activities.

A summary of the Agency's net assets is as follows:

Summary of Net Assets (Deficit)	
June 30, 2002	
	Governmental activities
Noncapital assets	\$ 70,003
Capital assets	51,948
Total assets	121,951
Other liabilities	7,466
Long-term liabilities	159,436
Total liabilities	166,902
Net assets (deficit):	
Invested in capital assets, net of related debt	549
Restricted	30,588
Unrestricted	(76,088)
Total net assets (deficit)	\$ (44,951)

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, liabilities exceeded assets by \$44,951 at June 30, 2002.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

By far the largest portion of the Agency's net deficits reflects its bonded indebtedness and other long-term obligations totaling \$159,436. The Agency, operating under California Redevelopment Law, must maintain debt in excess of its available assets to legally receive tax increment revenue. Bond funds are used to construct infrastructure, which becomes an asset of the City, or to alleviate blight. These expenditures do not generally create assets to offset bonded debt. Future tax increment revenues must be used to liquidate noncurrent bond liabilities.

Governmental Activities

Governmental activities increased the Agency's net assets by \$8,924. Key elements of this increase are as follows:

Summary of Activities		
Year ended June 30, 2002		
		Governmental activities
<hr/>		
Revenues:		
Program revenues:		
Charges for services	\$	1,602
General revenues:		
Property taxes		24,402
Investment income		2,555
Miscellaneous		169
		<hr/>
Total program and general revenues		28,728
		<hr/>
Expenses:		
Redevelopment activities		13,946
Interest on long-term debt		5,858
		<hr/>
Total expenses		19,804
		<hr/>
Increase in net assets		8,924
Net assets (deficits) – July 1, 2001, as restated		<hr/> (53,875)
Net assets (deficits) – June 30, 2002	\$	(44,951)

Property tax increment revenues (\$24,402) are the Agency's major revenue source. This revenue decreased by \$1,341 or 5% from the prior year, as a result of one-time adjustments. In the current fiscal year, tax increment in the Golden State Project Area was reduced by \$1,747 due to one-time property tax refunds. In the prior fiscal year, a prior year tax increment of \$1,858 was recognized after an amendment to the West Olive Project Area was completed. Excluding these two adjustments, property taxes would have increased by \$2,264 or 9%, due to increased assessed valuation and new developments.

Investment earnings (\$2,555) were received from investments of available funds and from interest on loans to low and moderate income housing developers.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK

(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

Redevelopment activities expenses (\$13,946) shown on the statement of activities consist of:

Capital redevelopment and public improvement projects	\$	7,504
Low and moderate housing projects		4,005
Pass-through payments and County collection fees		<u>2,437</u>
Total redevelopment activities expenses	\$	<u><u>13,946</u></u>

Capital redevelopment improvement projects (\$7,504) are comprised of expenses for projects such as undergrounding utilities near the Ontario Child Care Center, loss on land held for resale, asbestos/lead removal from City facilities, as well as project implementation and administrative costs.

Low and moderate housing expenses (\$4,005) included monitoring the affordability covenants of existing housing projects, funding several low/mod loan programs, relocation payments, and administrative costs.

Financial Analysis of the Agency's Funds

As noted earlier, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2002, the Agency's governmental funds reported combined ending fund deficit balances of \$(14,297), an increase of \$4,801 from the prior year. Undesignated deficits were \$64,537 leaving \$50,240 in reserved fund balances.

The fund balance of the Golden State Capital Projects Fund increased \$4,435 during the current fiscal year to \$11,203 as of June 30, 2002, primarily due to transfers of funds from the debt service fund. These transfers represent tax increment and other funds, which were not needed to pay current debt service payments.

The fund balance of the City Centre Capital Projects Fund increased \$124 during the current fiscal year to \$(63,004) as of June 30, 2002, primarily due to interest earnings, and transfers from other funds greater than expenditures.

The fund balance of the West Olive Capital Projects Fund increased \$2,847 during the current fiscal year to \$6,179 as of June 30, 2002, primarily due to transfers of funds from the debt service fund. These transfers represent tax increment and other funds, which were not needed to pay current debt service payments.

The fund balance of the Golden State Debt Service Fund increased \$180 during the current fiscal year to \$5,283 as of June 30, 2002. This is the net result of increases in transfers out, offset by decreases in interest and other charges, and tax increment receipts.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

The fund balance of the City Centre Debt Service Fund increased \$36 during the current fiscal year to \$1,873 as of June 30, 2002. This is the net result of increases in transfers out, and property taxes, offset by decreases in interest and other charges, and revenues from use of money and property.

The fund balance of the West Olive Debt Service Fund decreased \$3,780 during the current fiscal year to \$3,918 as of June 30, 2002. This is due to transfers of funds held in a debt service reserve as required by a bond issue indenture, which were no longer needed due to making the final payment on the bond issue.

The fund balance of the Low and Moderate Income Housing Fund increased \$419 during the current fiscal year to \$23,237 as of June 30, 2002. This is the net result of decreases in use of money and property, and administrative expenditures, offset by decreases in transfers in from other fund for the 20% set-aside contribution.

Capital Asset and Debt Administration

Capital Assets

The Agency's investment in capital assets for its governmental activities as of June 30, 2002 amounts to \$64,299. This investment in capital assets includes land held for resale and land held under operating lease. A summary of the Agency's capital assets follows:

Land held under operating lease	\$ 51,948
Land held for resale	<u>12,351</u>
Total	<u>\$ 64,299</u>

The land held under operating lease is the land upon which the Media City Centre mall was built. The City entered into a 99-year lease agreement for \$1 per year with the mall developer in exchange for their commitment to operate a major regional shopping center at the site.

Land held for resale represents several parcels purchased for various Redevelopment purposes including the creation of low and moderate income housing projects, and assembling smaller parcels into a usable size.

Long-Term Liabilities

At the end of the current fiscal year, the Agency had total bonded debt of \$82,620. The bonds are secured solely by specified revenue sources (i.e., property tax increment).

The Agency's total debt decreased \$4,105 (5.0%) during the current fiscal year. Decreases were due to scheduled debt service payments made on various outstanding obligations.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Management's Discussion and Analysis

Time limitations on incursion of debts exist in all project areas. Time limitations vary by the date when an area was added to the project.

<u>Project area</u>	<u>Time limitation to incur debt</u>
Golden State	January 1, 2004
City Centre	January 1, 2004
West Olive	January 1, 2004
South San Fernando	July 26, 2017

The Agency does not have an overall credit rating. However, the Agency has received bond ratings of "Baa" and AAA" on its outstanding bond issues for the 1993 Golden State Redevelopment Project Tax Allocation Bonds and 1993 City Centre Redevelopment Project Tax Allocation Bonds, respectively.

Additional information on outstanding long-term liabilities may be found in note 8 of the notes to basic financial statements.

Economic Factors and Next Year's Budget

The assessed value of property is expected to rise in the redevelopment project areas as a result of the implementation of significant redevelopment commercial and residential developments already approved by the City Council, such as the Airport Plaza office building, the Burbank Empire Center shopping area, Media Studios North office building, and a few others. The shift of \$860 to the State of California Educational Revenue Augmentation Fund will have an impact to the Golden State project area (\$628), and the South San Fernando project area (\$232) in funding these planned projects.

Request for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Redevelopment Agency of the City of Burbank, 275 E. Olive Ave, Burbank, California 91502.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Statement of Net Assets (Deficits)

June 30, 2002

(In thousands)

Assets:	
Cash and investments (note 2)	\$ 45,670
Accounts receivable	100
Interest receivable	526
Tax receivable	187
Notes receivable, net (note 3)	10,465
Intergovernmental receivables	633
Other assets	71
Land held for resale, net (note 6)	12,351
Capital assets, net (note 7)	51,948
	<hr/>
Total assets	121,951
Liabilities:	
Accounts payable and other liabilities	3,431
Due to City of Burbank	850
Deferred revenue	3,185
Long-term liabilities (note 8):	
Due within one year	1,965
Due in more than one year	157,471
	<hr/>
Total liabilities	166,902
Net assets (deficit)	
Invested in capital assets, net of related debt	549
Restricted – expendable:	
Debt service	7,351
Low and moderate income housing	23,237
Capital projects	—
	<hr/>
Total restricted	30,588
Unrestricted	(76,088)
	<hr/>
Total net assets (deficits)	\$ (44,951)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Statement of Activities
Year ended June 30, 2002
(In thousands)

		Program revenues			Net (expense) revenue and changes in net assets
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Total
Functions/programs primary government:					
Governmental activities:					
Community Development	\$ 13,946	(1,602)	—	—	(12,344)
Interest on long-term debt	5,858	—	—	—	(5,858)
Total governmental activities	19,804	(1,602)	—	—	(18,202)
General revenues:					
Property taxes					24,402
Investment earnings					2,555
Miscellaneous					169
Total general revenues					27,126
Change in net assets					8,924
Net assets (deficits) – beginning of year, as restated					(53,875)
Net assets (deficits) – end of year					\$ (44,951)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Balance Sheet – Governmental Funds

June 30, 2002

(In thousands)

	Capital projects				Debt service			Nonmajor Governmental Funds	Totals
Assets	Golden State Project Area	City Centre Project Area	West Olive Project Area	Low and Moderate Income Housing Fund	Golden State Project Area	City Centre Project Area	West Olive Project Area		
Cash and cash investments (note 2)	\$ 10,590	1,787	3,785	18,367	6,625	3,153	37	1,326	45,670
Accounts receivable	51	—	—	2	—	—	—	—	53
Interest receivable	108	—	12	212	105	34	43	12	526
Taxes receivable	—	—	—	—	—	30	78	79	187
Notes receivable (note 3)	6,617	47	—	3,609	—	—	—	239	10,512
Interfund receivable (note 4)	—	—	—	—	86	—	—	—	86
Intergovernmental receivable	633	—	—	—	—	—	—	—	633
Prepaid items and deposits	—	—	—	—	—	—	71	—	71
Advances to other funds (note 5)	18,111	—	1,530	—	—	—	—	—	19,641
Land held for resale, net (note 6)	825	5,970	1,830	3,726	—	—	—	—	12,351
Total assets	\$ 36,935	7,804	7,157	25,916	6,816	3,217	229	1,656	89,730
Liabilities and Fund Balances (Deficits)									
Liabilities:									
Accounts payable	\$ 100	282	3	123	1,533	1,308	5	95	3,449
Interfund payable (note 4)	—	—	—	—	—	—	86	—	86
Due to City of Burbank	—	847	—	3	—	—	—	—	850
Deferred revenue	632	—	—	2,553	—	—	—	—	3,185
Advances from other funds (note 5)	—	18,280	750	—	—	—	—	611	19,641
Advances from the City of Burbank (note 8)	25,000	51,399	225	—	—	—	—	192	76,816
Total liabilities	25,732	70,808	978	2,679	1,533	1,308	91	898	104,027
Fund balances (deficits):									
Reserved for encumbrances	146	—	54	178	—	—	—	25	403
Reserved for land held for sale	825	5,970	1,830	3,726	—	—	—	—	12,351
Reserved for advances to other funds	18,111	—	1,530	—	—	—	—	—	19,641
Reserved for notes receivable	6,617	47	—	3,609	—	—	—	239	10,512
Reserved for debt service	—	—	—	—	5,283	1,909	138	3	7,333
Unreserved, designated	(14,496)	(69,021)	2,765	15,724	—	—	—	491	(64,537)
Total fund balances (deficits)	11,203	(63,004)	6,179	23,237	5,283	1,909	138	758	(14,297)
Total liabilities and fund balances (deficits)	\$ 36,935	7,804	7,157	25,916	6,816	3,217	229	1,656	89,730

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets (Deficit)

June 30, 2002

(In thousands)

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Total fund deficits – governmental funds	\$ (14,297)
Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in funds	51,948
Long-term liabilities, including bonds payable and accrued interest payable, that are not payable in the current period and, therefore, not reported in funds	<u>(82,602)</u>
Net assets (deficits) of governmental activities	<u>\$ (44,951)</u>

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) –
Governmental Funds
Year ended June 30, 2002
(In thousands)

	Capital projects				Debt service			Nonmajor Governmental Funds	Totals
	Golden State Project Area	City Centre Project Area	West Olive Project Area	Low and Moderate Income Housing Fund	Golden State Project Area	City Centre Project Area	West Olive Project Area		
Revenues:									
Property tax allocation	\$ —	—	—	—	12,921	5,784	4,461	1,236	24,402
Use of money or property	518	27	139	1,002	654	177	192	71	2,780
Charges for services	1,224	—	—	278	—	—	—	—	1,502
Other income	—	—	—	—	—	475	—	—	475
Total revenues	1,742	27	139	1,280	13,575	6,436	4,653	1,307	29,159
Expenditures:									
General government – administrative services	1,915	646	212	2,950	187	104	29	261	6,304
Capital outlay – general capital improvements	630	1,617	—	1,111	—	—	—	49	3,407
Debt service:									
Principal	—	—	—	—	1,325	545	2,235	—	4,105
Interest and others	—	—	—	—	3,997	4,007	2,334	204	10,542
Total expenditures	2,545	2,263	212	4,061	5,509	4,656	4,598	514	24,358
Excess (deficiency) of revenues over (under) expenditures	(803)	(2,236)	(73)	(2,781)	8,066	1,780	55	793	4,801
Other financing sources (uses):									
Transfers in (note 4)	5,238	2,360	2,920	5,000	—	—	—	803	16,321
Transfers out (note 4)	—	—	—	(1,800)	(7,886)	(1,744)	(3,835)	(1,056)	(16,321)
Total other financing sources (uses)	5,238	2,360	2,920	3,200	(7,886)	(1,744)	(3,835)	(253)	—
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,435	124	2,847	419	180	36	(3,780)	540	4,801
Fund balances (deficits):									
Beginning of year, as restated (note 1)	6,768	(63,128)	3,332	22,818	5,103	1,873	3,918	218	(19,098)
End of year	\$ 11,203	(63,004)	6,179	23,237	5,283	1,909	138	758	(14,297)

See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Reconciliation of the Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities

June 30, 2002

(In thousands)

Net change in governmental activities in the statement of activities are different because:

Net change in fund balances (deficits) – governmental funds	\$ 4,801
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	18
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets (deficits)	<u>4,105</u>
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Change in net assets (deficits) of governmental activities	<u><u>\$ 8,924</u></u>
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See accompanying notes to basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(1) Reporting Entity and Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Redevelopment Agency of the City of Burbank (Agency) was activated by the City Council of the City of Burbank by Ordinance No. 2223, adopted on May 12, 1970 under the provisions of the State of California Community Redevelopment Law. The members of the City Council sit ex officio as the board of directors of the Agency. The Agency meets the criteria established by the Governmental Accounting Standards Board for inclusion as a component unit of the City of Burbank, California (the City) for financial reporting purposes; accordingly, the financial activities of the Agency are blended within the Comprehensive Annual Financial Report of the City.

The Agency has the authority to acquire, develop, administer, and sell or lease property, including the right to issue bonds and expend their proceeds, all in conformity with previously adopted formal redevelopment plans. The California Community Redevelopment Law provides that, on adoption of a redevelopment plan, all future tax revenues attributable to increases in the tax base within a project shall be paid into a special fund of the Agency to pay the principal and interest, advances, and other indebtedness of the Agency.

The Agency currently has designated four principal project areas, the highlights of which are as follows:

- Golden State Project Area – This project area, which encompasses approximately 1,100 acres, was adopted in October 1970 and amended in January 1973. The project area includes the Burbank-Glendale-Pasadena Airport and surrounding area adjacent to the Golden State Freeway. The numerous parcels that comprise this project area contain a variety of industrial and commercial structures. Improvements made in this area include removal of substandard buildings, elimination of environmental deficiencies, restructuring of obsolete street patterns and odd-shaped lot patterns, creation of new sites for commercial and industrial development, and expansion of employment opportunities.
- City Centre Project Area – This project area was adopted in July 1971 and amended in July 1974. The 212-acre area encompasses City Hall and other City buildings as well as the Media City Centre Mall. The project area contains a variety of commercial and residential structures. Objectives of the City Centre Project include expansion of retail business, development of mixed-use housing and commercial facilities, elimination of detrimental land use and environmental deficiencies, and provision for overall beautification of the Burbank downtown area.
- West Olive Project Area – This project area was adopted in December 1976. The project area consists of a mixture of residential, commercial, and media-related commercial and industrial facilities. The project encompasses the City's major medical center and several large movie and television studios. The focus of the West Olive Project has been to work with existing property owners toward upgrading and developing their facilities. The Agency has also provided for traffic reconfiguration and improvements.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

- South San Fernando Project Area – This project was adopted in June 1997 and encompasses 468 acres. The project area was formed to eliminate blight, encourage development of properties supporting alternative transportation, and remove impediments to development by assembling properties into reasonable sizes and shapes.

20% of the tax increments of each project area is set aside in a low and moderate income housing fund and is used for projects benefiting low and moderate income households for all project areas.

(b) *Basis of Accounting and Measurement Focus*

The basic financial statements of the Agency are composed of the following:

- Agencywide financial statements
- Fund financial statements
- Notes to basic financial statements.

Agencywide Financial Statements

Agencywide financial statements (i.e., the statement of net assets (deficits) and the statement of activities) display information about the Agency as a whole. All significant interfund activity has been eliminated in the statement of activities. The Agency provides only governmental activities, which are supported principally by property tax allocations. Agencywide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Amounts paid to acquire capital assets are capitalized as assets in the agencywide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the agencywide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

In the Agencywide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt: This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Assets: This category presents external restrictions imposed by creditors, grantors, contributions, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

Unrestricted Net Assets: Represents the net assets (deficits) of the City, not restricted for any project or other purpose. This category is in a deficit position primarily because long-term debt is in excess of capital assets owned by the Agency. The Agency issues debt for construction and/or acquisition of assets.

Fund Financial Statements

The accounting system of the Agency is organized and operated on the basis of separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. The modified-accrual basis of accounting is defined as the basis of accounting under which expenditures, other than accrued interest on long-term debt, are recorded at the time liabilities are incurred. Revenues are recorded when received in cash, except for measurable and available revenues, which are defined as available to finance current period expenditures and are accrued to properly reflect the revenues earned. Revenues, which are susceptible to accrual, include property tax allocations, investment income, and rental income.

All governmental funds are accounted for on a spending or "financial flow" measurement focus. Generally, only current assets and current liabilities are included on the balance sheets. However, noncurrent portions of long-term receivables related to governmental funds are also reported on the balance sheets and are offset by deferred revenue or fund balance reserve accounts. Statements of revenues, expenditures, and changes in fund balances (deficits) for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

(c) Major Funds

The Agency considers the following funds as major government funds:

- Golden State Capital Projects – This fund is used to account for all capital projects and their administration within the Golden State Project Area of the Agency.
- City Centre Capital Projects – This fund is used to account for all capital projects and their administration within the City Centre Project Area of the Agency.
- West Olive Capital Projects – This fund is used to account for all capital projects and their administration within the West Olive Project Area of the Agency.
- Golden State Debt Service – This fund is used to account for all debt service payments and tax increment receipts within the Golden State Project Area of the Agency.
- City Centre Debt Service – This fund is used to account for all debt service payments and tax increment receipts within the City Centre Project Area of the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

- West Olive Debt Service – This fund is used to account for all debt service payments and tax increment receipts within the West Olive Project Area of the Agency.
- Low and Moderate Income Housing – This fund is used to account for all capital projects and their administration required under redevelopment law for low and moderate income housing.

(d) Accounting Changes and Restatements

On July 1, 2001, the Agency adopted four new accounting statements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*;
- Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Government: Omnibus*;
- Statement No. 38, *Certain Financial Statement Note Disclosures*; and
- Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the basic financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. The Agencywide financial statements do not provide information by the fund or account group but distinguish between the governmental activities and business-type activities. The Agency has no business-type activities. Significantly, the Agency’s statement of net assets (deficits) will include capital assets and long-term debt, which were previously recorded in the General Fixed Asset Account Group and the General Long-Term Debt Account Group. In addition, the Agency’s statement of activities reflects accrued interest payable on long-term obligations.

In addition to the Agencywide financial statements, the Agency has prepared fund financial statements, which continue to use the modified-accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the Agency’s capital projects and debt service funds is similar to that previously presented in the Agency’s financial statements, although the format has been classified into major and nonmajor funds by Statement No. 34.

Statement No. 34 also requires as required supplementary information Management’s Discussion and Analysis, which includes an analytical overview of the Agency’s financial activities.

Statement No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of Statement No. 34. While this statement does not affect amounts reported in the basic financial statements of the Agency, certain note disclosures have

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

been added and/or amended including descriptions of activities of major funds, violations of legal or contractual provisions, future debt service obligations in five-year increments, short-term obligations, interest rates, and interfund balances and transactions.

The accompanying basic financial statements reflect prior period adjustments in the capital projects funds for the Golden State Project Area, City Centre Project Area, West Olive Project Area, and nonmajor governmental funds. The adjustments were made as a result of the recordation of the Agency's advance from the City of \$96,457 previously recorded in the General Long-Term Debt Account Group to the capital projects funds for the Golden State, City Centre, West Olive, and nonmajor government funds.

	<u>Golden State</u> <u>Capital</u> <u>projects</u>	<u>City Centre</u> <u>Capital</u> <u>projects</u>	<u>West Olive</u> <u>Capital</u> <u>projects</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
Fund balance, June 30, 2001, as previously reported	\$ 31,768	6,551	4,307	1,021
Adjustments	<u>(25,000)</u>	<u>(69,679)</u>	<u>(975)</u>	<u>(803)</u>
Fund balance, June 30, 2001, as restated	\$ <u>6,768</u>	<u>(63,128)</u>	<u>3,332</u>	<u>218</u>

(e) Cash and Investments

Cash and Investments of the Agency are pooled with that of the City and are invested by the City Treasurer. Interest is allocated to the Agency based on its proportional share of the pooled cash and investments. The Agency's share of pooled cash and investments is carried at fair value.

(f) Notes Receivable

In the Agencywide financial statements, notes receivable does not include accrued interest receivable. Due to the extended period of time over which notes receivable are to be collected and the contingent nature of certain sources of repayment, the Agency has not accrued interest as of June 30, 2002. Allowances for uncollectible accounts were estimated based on certain assumptions; therefore, actual results could differ from the estimates.

In the fund financial statements, the Agency has recorded a fund balance reserve equal to the outstanding principal balance of the notes receivable.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(g) Capital Assets

Expenditures for capital assets in excess of \$5 are capitalized in the Agencywide financial statements. Capital assets are stated at cost and are comprised of land held under operating leases.

(h) Land Held for Resale

The cost of land acquired by the Agency and held for resale is recorded as an asset at the time of purchase. The property is recorded at the lower of cost or estimated net realizable value, as applicable. Estimated net realizable value is determined by agreed-upon sales prices with potential developers. Amounts recorded as land held for resale are offset by a reservation of fund balance in the fund statements, as they are not available spendable resources.

(i) Long-Term Liabilities

In the Agencywide financial statements, long-term debt, and other long-term liabilities are reported as liabilities in the statement of net assets (deficits).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Agency did not issue any bonds in fiscal year 2001-02.

(j) Fund Equity

In the fund financial statements, reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Designated fund balances represent amounts identified by management for the future use of financial resources.

(k) Property Tax Allocation

The Agency's primary sources of revenue, other than bond proceeds and loans and advances from the City, comes from property taxes. Property taxes allocated to the Agency are to be used solely to repay debt and are computed in the following manner:

- a. The assessed valuation of all property within the project area is determined on the date of adoption of the Redevelopment Plan.
- b. Property taxes related to the incremental increase in assessed values after the adoption of the Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City of Burbank and other districts. A portion of the incremental increase is allocated to other affected agencies.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

The Agency has no power to levy and collect taxes and any legislative property tax deemphasis might reduce the amount of property tax revenues that would otherwise be available to pay principal and interest on the debt. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions would increase the amount of tax revenues that would be available to pay principal and interest on debt.

Taxes are levied on July 1 and are payable in two installments due on November 1 and February 1 and became delinquent after December 10 and April 10. The County of Los Angeles, California bills and collects the property tax increment and remits it to the Agency in installments during the year. Agency property tax increment revenues are recognized when levied to the extent that they result in current receivables collectible within 60 days.

(l) Agency Employees

The Agency uses employees of the City to perform the various duties of Agency operations. The Agency reimburses the City by allocations of payroll and employee-related expenditures.

(m) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Cash and Investments

(a) Pooled Cash and Investments

The Agency pools cash and investments with that of the City, except for funds required to be held by outside fiscal agents under provisions of bond indentures.

Under provision of the Agency's investment policy and in accordance with Section 53601 of the California Government Code, the Agency, through the City's pool or its fiscal agents, may invest in the following types of investments:

- Public fund time deposits
- Certificates of deposit placed with commercial banks, savings and loan companies, and credit unions
- Negotiable certificates of deposit
- Government bonds and notes
- Bankers' acceptances
- Commercial paper
- Money market mutual fund
- Los Angeles County Pooled Investment Fund

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

- Bonds and notes of federally sponsored agencies
- California Local Agency Investment Fund
- Small Business Administration notes
- Passbook savings account demand deposits.

(b) *Classification of Investments by Custodial Credit Risk*

Investment securities are classified as to credit risk by three categories as follows.

Investments

Category 1 – Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive (i.e., physical) form by the Agency or the Agency's agent in the Agency's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker-dealer associated with the purchases is adequately separate from the custodial safekeeping agent on the same investments and where the investments are recorded on the books and records of the financial institution or broker-dealer in the name of the Agency.

Category 2 – Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the Agency's name in the trust department's systems and records.

Category 3 – Investments which are uninsured (1) where the investments are acquired through a financial institution's investment department, but are held for custodial purposes in the same financial institution's safekeeping department or (2) where the investments are acquired through a financial institution's trust department, and held for custodial safekeeping by the same trust department, or (3) where the investments are acquired through, and held for safekeeping by, the same broker-dealer, or (4) where investments are not held in the Agency's name in the systems and records of the financial institution or broker-dealer.

Investments Not Subject to Categorization

Cash and investments pooled with the City of Burbank are not categorized, as GASB Statement 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are also not categorized, because the underlying assets are open-ended mutual funds or guaranteed investment contracts.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

The following is a schedule of the fair value of the Agency's cash and investments pooled with the City and its investments with fiscal agents, summarized by credit risk:

	Category			Not required to be categorized	Fair value
	1	2	3		
Pooled with City of Burbank	\$ 31,780	—	—	7,078	38,858
Corporate Trust Investment Treasury					
Fund	—	—	—	57	57
Guaranteed Investment Contracts	—	—	—	6,755	6,755
Total cash and	\$ 31,780	—	—	13,890	45,670
investments					

Further information regarding the categorization of cash and investments pooled with the City can be found in the City's Comprehensive Annual Financial Report.

(3) Notes Receivable

To enhance the redevelopment process, the Agency grants below-market interest rate loans primarily for the rehabilitation and development of low and moderate income housing and the development of commercial properties. Since these loans are generated to assist various redevelopment project areas, repayment terms are structured to meet requirements established by the Agency and the specific project area.

As of June 30, 2002, notes receivable consists of the following:

Golden State Capital Projects Fund	\$ 6,617
Low and Moderate Income Housing Fund	3,609
South San Fernando Capital Projects Fund	525
City Centre Capital Projects Fund	47
Total before allowance for uncollectible accounts	10,798
Less allowance for uncollectible accounts	(286)
Total notes receivable	\$ 10,512

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(4) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2002 is as follows:

	Interfund		Transfers	
	Receivable	Payable	In	Out
Major funds:				
Golden State Capital Projects Fund	\$ —	—	5,238	—
City Centre Capital Projects Fund	—	—	2,360	—
West Olive Capital Projects Fund	—	—	2,920	—
Low and Moderate Income Housing Fund	—	—	5,000	1,800
Golden State Debt Service Fund	86	—	—	7,886
City Centre Debt Service Fund	—	—	—	1,744
West Olive Debt Service Fund	—	86	—	3,835
Nonmajor governmental funds	—	—	803	1,056
Total interfund receivables, payables, and transfers	\$ 86	86	16,321	16,321

The Golden State Debt Service Fund receivable from West Olive Debt Service Fund of \$86 is for funding county administrative charges for West Olive.

The composition of interfund transfers is as follows:

The Golden State Capital Projects transfer in of \$5,238 from the Golden State Debt Service Fund was made as these remaining funds were not required for debt service payments.

The City Centre Capital Projects Fund transfer in of \$2,360 consists of \$559 from the City Centre Debt Service Fund, as these remaining funds were not required for debt service payments, and \$1,801 from the Low and Moderate Income Housing Fund for the low/mod portion for a City Centre redevelopment project (Burbank Village Walk).

The West Olive Capital Projects Fund transfer in of \$2,920 from the West Olive Debt Service Fund was made as these remaining funds were not required for debt service payments.

The Low and Moderate Income Housing Fund transfer in of \$5,000 consists of \$2,648 from the Golden State Debt Service, \$1,185 from the City Centre Debt Service Fund, \$914 from the West Olive Debt Service Fund, and \$253 from a nonmajor fund to make current low and moderate income housing deposits.

The nonmajor governmental fund transfer in of \$803 from the respective debt service fund was made as these remaining funds were not required for debt service payments.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(5) Advances Between Redevelopment Projects

The composition of advances between redevelopment projects is as follows:

In August 1983, the Redevelopment Agency City Centre Project and Redevelopment Agency Golden State Project entered into a cooperation agreement whereby the Golden State Project would advance the City Centre Project funds necessary for land acquisition and related expenses. The advances are non-interest bearing and have no repayment schedule. Repayment of the advance will be made as future tax increment become available	\$ 15,412
From 1978 through 1982, the Redevelopment Agency West Olive Project entered into agreements wherein the Golden State Project loaned funds aggregating \$750 to the West Olive Project. These agreements are non-interest bearing. Repayment of the principal will be made as future tax increment become available	750
In October 1991, the Agency passed Resolution No. R-1637 for the advance of \$1,338 in Golden State Land Sale proceeds and \$1,530 in West Olive Land Sale proceeds to the City Centre Project Area. The advances are non-interest bearing and will be repaid as future tax increment become available	2,868
In 1998, the Agency Golden Gate State Project advanced \$329 to the South San Fernando Project Area. The advance is non-interest bearing and shall be repaid as future tax increment becomes available	329
During the year ended June 30, 1998, the Agency's Golden State Capital Projects Fund advanced \$282 to the South San Fernando Project Area Capital Projects Fund. The advance is non-interest bearing and there is no repayment schedule. Repayment of the advance will be made as future tax increment funds become available for the South San Fernando Project Area	<u>282</u>
Total advances between redevelopment projects	<u>\$ 19,641</u>
GAAP requires the City to only record advances for which collectibility can be established in a reasonable time. The following note does not meet this criterion and is therefore not reflected within the basic financial statements, yet is listed here to evidence its existence: The City and Agency entered into a cooperation agreement through which the City agreed to advance funds to the City Centre project necessary for payments on a disposition and development agreement between the Agency and a developer. Interest on the advances accumulates at an annual rate of 6% and there is no repayment schedule. Repayment of the advances and interest will be made as future tax increment funds become available for the City Centre Project Area	\$ 5,969

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(6) Land Held for Resale

As of June 30, 2002, land held for resale consists of the following:

Golden State Project Area	\$ 825
City Centre Project Area	5,970
West Olive Project Area	1,830
Low and Moderate Income Housing Fund	<u>3,726</u>
	<u>\$ 12,351</u>

In the fund statements, the estimated fair value of land held for resale at June 30, 2002 is offset by a reservation of fund balance to indicate that these assets are not available spending resources.

(7) Capital Assets

At June 30, 2002, the balance of the Agency's capital assets totaled \$51,948, which represents land owned by the Agency held under an operating lease to Center Trust. Except for the land, the City capitalizes all capital assets developed by the Agency. Upon completion of the redevelopment activities of a capital project, the capital asset is given to the City. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources.

For the year ended June 30, 2002, there were no additions or deletions in the Agency's capital assets.

(8) Long-Term Liabilities

Activity in long-term liabilities for the year ended June 30, 2002 was as follows:

	<u>Balance at July 1, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2002</u>	<u>Due within one year</u>
Advances payable to the City of Burbank	\$ 76,816	—	—	76,816	—
Tax allocation bonds payable	<u>86,725</u>	<u>—</u>	<u>(4,105)</u>	<u>82,620</u>	<u>1,965</u>
Total long-term liabilities	<u>\$ 163,541</u>	<u>—</u>	<u>(4,105)</u>	<u>159,436</u>	<u>1,965</u>

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

Advances payable are comprised of the following advances from the City:

(a) Advances from the City of Burbank

The City and the Agency entered into agreements by Resolutions R-504, R-787, and R-1177 to loan an aggregate amount of \$1,778 to the City Centre Project for the purchase of land. Interest is 7%, payable quarterly. There is no payment schedule for the principal portion of this advance. Repayment will be made as the funds become available in the future	\$ 1,778
The City and the Agency entered into a cooperation agreement through which the City agreed to advance funds to the City Centre Project necessary for land acquisition and related expenses. This agreement has no interest or repayment schedule. Repayment of the advance will be made as the funds become available	49,621
From 1977 through 1979, the City and the Agency entered into agreements to loan funds aggregating \$225 to the West Olive Project. These agreements bear 7% interest per year, payable quarterly, and have no principal repayment schedule	225
Advances secured by a \$25,000 Golden State Redevelopment Project Subordinated Taxable Tax Allocation Private Placement Bond Issue of 1993, interest is due semiannually on June 1 and December 1, with a principal maturity date of December 1, 2043 (or a mutually agreeable time). The interest rate varies as it is indexed to the yield on the California Local Agency Investment Fund plus 1%. The principal and interest are secured by an irrevocable pledge of tax increment revenues. The bond was issued for the purpose of aiding the financing and construction of Redevelopment projects	25,000
The City and the Agency entered into an agreement to loan to the Agency an aggregate amount of \$192 representing project formation costs of the South San Fernando Project Area. The advance is non-interest bearing and there is no repayment schedule. Repayment of the advance will be made as future tax increment funds become available for the South San Fernando Project Area	192
Total advances from City	\$ <u>76,816</u>

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(b) Tax Allocation Bonds Payable

Tax allocation bonds payable are comprised of the following individual issues:

\$69,000 Golden State Redevelopment Project Tax Allocation Bonds, 1993, Series A, due in annual installments from \$410 to \$4,655 through December 1, 2024. Interest at various rates ranging from 2.75% to 6.25% is payable semiannually on June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. The bonds were issued for the purpose of providing funds for (i) the acquisition and construction of various projects, (ii) the advance refunding of the Agency's outstanding Golden State Redevelopment Project First Lien Tax Allocation Bonds, 1985, Series A and (iii) the advance refunding of the Agency's outstanding Golden State Redevelopment Project Second Lien Refunding Tax Allocation Bonds, 1985 Series A	\$	60,160
\$23,945 City Centre Redevelopment Project Tax Allocation Bonds, 1993, Series A, due in annual installments from \$85 to \$1,665 through December 1, 2023. Interest at various rates ranging from 2.5% to 5.50% is payable semiannually on June 1 and December 1. These bonds are collateralized by a first pledge of the incremental tax revenues to be received by the project. The bonds were issued for the purpose of providing funds for (i) the acquisition and construction of various projects and (ii) the partial advance refunding of the Agency's outstanding City Centre Redevelopment Project Tax Allocation Bonds, 1990, Series A		22,460
Total tax allocation bonds payable	\$	<u>82,620</u>

(c) Annual Debt Service Requirements

Debt service requirements to maturity for the bonds payable to be repaid from future tax increment revenues are as follows:

	Golden State Redevelopment Project Tax Allocation Bonds			City Centre Redevelopment Project Tax Allocation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
Year ending June 30:						
2003	\$ 1,390	3,558	4,948	575	1,171	1,746
2004	1,470	3,479	4,949	600	1,140	1,740
2005	1,550	3,395	4,945	635	1,107	1,742
2006	1,635	3,305	4,940	665	1,072	1,737
2007	1,730	3,208	4,938	705	1,037	1,742
2008-2012	10,290	14,335	24,625	4,085	4,608	8,693
2013-2017	13,785	10,736	24,521	5,205	3,447	8,652
2018-2022	18,480	5,900	24,380	6,745	1,856	8,601
2023-2025	9,830	676	10,506	3,245	181	3,426
	<u>\$ 60,160</u>	<u>48,592</u>	<u>108,752</u>	<u>22,460</u>	<u>15,619</u>	<u>38,079</u>

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(d) Prior Year Bond Defeasance

In prior years, various bonds were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. Accordingly, the trust account assets and the related liabilities for these defeased bonds are not reflected in the Agency's basic financial statements. At June 30, 2002, the following bonds were considered defeased:

		Remaining outstanding principal balance
1978 Series A Golden State Bonds	\$	1,825
1978 Series B Golden State Bonds		7,395

(9) Retirement Plan

The Agency, as part of the City, contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer PERS that acts as a common investment and administrative agent for cities in California. The Agency assumes its share of pension costs based upon rates established by PERS for the City's general employees. No separate pension benefit obligation is calculated for the Agency; accordingly, no obligation is presented herein.

Further information regarding the City's participation in PERS may be found in the City's Comprehensive Annual Financial Report.

(10) Commitments and Contingencies

(a) Media City Centre Mall

In September 1992, the City entered into a Disposition and Development Agreement (DDA) which obligated the Agency to rebate amounts equivalent to specified portions of property and sales taxes generated by the mall, to the developer. These amounts helped offset the original construction costs incurred for construction of the Macy's building, and parking and related common area facilities at the Media City Centre mall of which are owned by the developer. The two notes had an ascribed face value of \$33,000 and \$18,500 respectively.

The Agency is only obligated to pay debt service based on certain revenue streams (that is, amounts equivalent to the property and sales taxes associated with the mall) described in the agreement. As the Agency's obligation is contingent on future economic factors not measurable as of the date of this report, the Agency has not recorded a liability for such obligation as of June 30, 2002. Any unpaid balance on the aforementioned agreements as of February 1, 2016 will be forgiven.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Notes to Basic Financial Statements

June 30, 2002

(In thousands)

(b) Litigation

The Agency management believes, based upon consultation with the City Attorney, that any litigation, in the aggregate, is not expected to result in a material adverse financial impact to the Agency. Agency management believes that should an unfavorable outcome occur, funds would be available to cover such losses.

(11) Self-Insurance

In conjunction with the City, the Agency is self-insured for the first \$1,000 of general liability claims and for the first \$500 of workers' compensation claims. Information pertaining to the amounts accrued for claims payable including both reported claims and claims incurred but not reported is not available at the Agency level, but may be found in the City's Comprehensive Annual Financial Report.

(12) Conduit Debt

The Agency has issued special bonds listed below that are payable solely out of revenues derived from the various projects financed by the bonds. Neither the faith and credit nor the taxing power of the City or the Agency is pledged to the payment of the principal of, or interest on, any bond, nor is the City or the Agency in any manner obligated to make any appropriation for payment therefore:

\$36,000 Multifamily Housing Revenue Bonds, 1985, Issue A

The bonds were issued to fund construction of an apartment complex consisting of 400 units. A minimum of 20% of these units are to be reserved for occupancy by low or moderate income families for a period of ten years. This project is located in the City Centre redevelopment project area. The bonds are collateralized by various securities

	\$ 33,900
--	-----------

\$5,000 Multifamily Housing Revenue Bonds, 1996, Series A

The bonds were issued to fund construction of an affordable senior citizen residential project, with a minimum of 20% of these units to be reserved for occupancy by low or moderate income tenants. This project is located in the City Centre redevelopment project area. The bonds are collateralized by a letter of credit between the developer and East-West Federal Bank

	<u>4,650</u>
Total conduit debt outstanding	\$ <u><u>38,550</u></u>

(13) Subsequent Event

On October 1, 2002, the Joint Powers Authority (JPA) issued revenue bonds, series 2002, in the amount of \$14,000 with annual maturities from December 1, 2002 through December 1, 2026 with interest ranging from 2% to 5%. The purpose of these bonds is to finance redevelopment activities in and for the benefit of the West Olive Project Area.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
Golden State Project Area Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Use of money or property	\$ 783	518	(265)
Charges for services	161	1,224	1,063
Total revenues	<u>944</u>	<u>1,742</u>	<u>798</u>
Expenditures:			
General government – administrative services	2,289	1,915	374
Capital outlay – general capital improvements	1,239	630	609
Total expenditures	<u>3,528</u>	<u>2,545</u>	<u>983</u>
Deficiency of revenues under expenditures	<u>(2,584)</u>	<u>(803)</u>	<u>1,781</u>
Other financing sources:			
Transfers in	<u>3,816</u>	<u>5,238</u>	<u>1,422</u>
Excess of revenues and other financing sources over expenditures	1,232	4,435	3,203
Fund balance, July 1, 2001, as restated	<u>6,768</u>	<u>6,768</u>	<u>—</u>
Fund balance, June 30, 2002	<u><u>\$ 8,000</u></u>	<u><u>11,203</u></u>	<u><u>3,203</u></u>

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Deficits – Budget and Actual –
City Centre Project Area Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues – use of money or property	\$ 1,670	27	(1,643)
Expenditures:			
General government – administrative services	1,149	646	503
Capital outlay – general capital improvements	<u>2,565</u>	<u>1,617</u>	<u>948</u>
Total expenditures	<u>3,714</u>	<u>2,263</u>	<u>1,451</u>
Deficiency of revenues under expenditures	(2,044)	(2,236)	(192)
Other financing sources:			
Transfers in	<u>1,976</u>	<u>2,360</u>	<u>384</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(68)	124	192
Fund deficit, July 1, 2001, as restated	<u>(63,128)</u>	<u>(63,128)</u>	<u>---</u>
Fund deficit, June 30, 2002	<u><u>\$ (63,196)</u></u>	<u><u>(63,004)</u></u>	<u><u>192</u></u>

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
West Olive Project Area Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues – use of money and property	\$ 271	139	(132)
Expenditures:			
General government – administrative services	325	212	113
Capital outlay – general capital improvements	<u>700</u>	<u>—</u>	<u>700</u>
Total expenditures	<u>1,025</u>	<u>212</u>	<u>813</u>
Deficiency of revenues under expenditures	(754)	(73)	681
Other financing sources:			
Transfers in	<u>37</u>	<u>2,920</u>	<u>2,883</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(717)	2,847	3,564
Fund balance, July 1, 2001, as restated	<u>3,332</u>	<u>3,332</u>	<u>—</u>
Fund balance, June 30, 2002	<u><u>\$ 2,615</u></u>	<u><u>6,179</u></u>	<u><u>3,564</u></u>

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
Low and Moderate Income Housing Capital Projects Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	Appropriated budget	Actual	Variance favorable (unfavorable)
Revenues:			
Use of money or property	\$ 522	1,002	480
Charges for services	44	278	234
Total revenues	<u>566</u>	<u>1,280</u>	<u>714</u>
Expenditures:			
General government – administrative services	5,897	2,950	2,947
Capital outlay – general capital improvements	11,257	1,111	10,146
Total expenditures	<u>17,154</u>	<u>4,061</u>	<u>13,093</u>
Deficiency of revenues under expenditures	(16,588)	(2,781)	13,807
Other financing sources (uses):			
Transfers in	4,777	5,000	223
Transfers out	(1,801)	(1,800)	1
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(13,612)	419	14,031
Fund balance, July 1, 2001	<u>22,818</u>	<u>22,818</u>	<u>—</u>
Fund balance, June 30, 2002	<u>\$ 9,206</u>	<u>23,237</u>	<u>14,031</u>

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
Golden State Project Area Debt Service Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Property tax allocation	\$ 11,878	12,921	1,043
Use of money or property	275	654	379
Total revenues	<u>12,153</u>	<u>13,575</u>	<u>1,422</u>
Expenditures:			
General government – administrative services	225	187	38
Principal retirement	1,325	1,325	—
Interest and financing charges	5,401	3,997	1,404
Total expenditures	<u>6,951</u>	<u>5,509</u>	<u>1,442</u>
Excess of revenues over expenditures	<u>5,202</u>	<u>8,066</u>	<u>2,864</u>
Other financing uses:			
Transfers out	<u>(6,453)</u>	<u>(7,886)</u>	<u>(1,433)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(1,251)	180	1,431
Fund balance, July 1, 2001	<u>5,103</u>	<u>5,103</u>	<u>—</u>
Fund balance, June 30, 2002	<u>\$ 3,852</u>	<u>5,283</u>	<u>1,431</u>

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
City Centre Project Area Debt Service Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Property tax allocation	\$ 5,686	5,784	98
Use of money or property	97	177	80
Other income	475	475	—
Total revenues	<u>6,258</u>	<u>6,436</u>	<u>178</u>
Expenditures:			
General government – administrative services	109	104	5
Principal retirement	545	545	—
Interest and financing charges	4,404	4,007	397
Total expenditures	<u>5,058</u>	<u>4,656</u>	<u>402</u>
Excess of revenues over expenditures	<u>1,200</u>	<u>1,780</u>	<u>580</u>
Other financing uses:			
Transfers out	<u>(1,313)</u>	<u>(1,744)</u>	<u>(431)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(113)	36	149
Fund balance, July 1, 2001	<u>1,873</u>	<u>1,873</u>	<u>—</u>
Fund balance, June 30, 2002	<u>\$ 1,760</u>	<u>1,909</u>	<u>149</u>

See accompanying independent auditors' report.

REDEVELOPMENT AGENCY OF THE CITY OF BURBANK
(A Component Unit of the City of Burbank, California)

Schedule of Revenues, Expenditures, and
Changes in Fund Balance – Budget and Actual –
West Olive Project Area Debt Service Fund

Year ended June 30, 2002

(Amounts expressed in thousands)

	<u>Appropriated budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Revenues:			
Property tax allocation	\$ 4,423	4,461	38
Use of money or property	<u>—</u>	<u>192</u>	<u>192</u>
Total revenues	<u>4,423</u>	<u>4,653</u>	<u>230</u>
Expenditures:			
General government – administrative services	27	29	(2)
Principal retirement	2,235	2,235	—
Interest and financing charges	<u>2,440</u>	<u>2,334</u>	<u>106</u>
Total expenditures	<u>4,702</u>	<u>4,598</u>	<u>104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(279)</u>	<u>55</u>	<u>334</u>
Other financing uses:			
Transfers out	<u>(895)</u>	<u>(3,835)</u>	<u>(2,940)</u>
Deficiency of revenues under expenditures and other financing uses	(1,174)	(3,780)	(2,606)
Fund balance, July 1, 2001	<u>3,918</u>	<u>3,918</u>	<u>—</u>
Fund balance, June 30, 2002	<u>\$ 2,744</u>	<u>138</u>	<u>(2,606)</u>

See accompanying independent auditors' report.



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

**Report of Independent Auditors on Compliance and on Internal Control over
Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Redevelopment Agency of the City of Burbank
Burbank, California:

We have audited the basic financial statements of the Redevelopment Agency of the City of Burbank (Agency), a component unit of the City of Burbank, California (City), as of and for the year ended June 30, 2002 and have issued our report thereon, dated November 22, 2002. Our report refers to the adoption of Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, No. 37 *Basic Financial Statements – and Management’s Discussions and Analysis – for State and Local Governments: Omnibus*, No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective July 1, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Agency’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including those contained in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller’s Office, Division of Local Government Fiscal Affairs, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not



reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of the Agency, management, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 22, 2002

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF BURBANK (the "Agency") in connection with the issuance of \$22,015,000 aggregate principal amount of Burbank Public Financing Authority Revenue Bonds, 2003 Series C (City Centre Redevelopment Project) (the "Bonds"). The Bonds are being issued pursuant to an indenture of trust, dated as of October 1, 2003 (the "Indenture"), by and between the Burbank Public Financing Authority (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean Wells Fargo Bank, National Association, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than seven months (January 31) after the end of the Agency's fiscal year (June 30), commencing with the report for the 2002-03 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate with a copy to the Trustee. Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other

information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change to the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds:

- (i) Information concerning assessed valuations of properties within the Agency's City Centre Redevelopment Project Area (the "City Centre Project Area");
- (ii) Tax Revenues allocated to the Agency from the City Centre Project Area;
- (iii) Ten largest property taxpayers (by assessed value and by revenue) in the City Centre Project Area; and
- (iv) Historical debt service coverage of the Agency's Agency Bonds provided by the Tax Revenues of the City Centre Project Area.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Wells Fargo Bank, National Association. Any Dissemination Agent may resign by providing thirty days' written notice to the Agency and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a) or 4, it may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding

liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them by the Agency and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Bond holders or any other party. The obligations of the Agency under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

REDEVELOPMENT AGENCY OF THE CITY
OF BURBANK

By _____
Executive Director

ACKNOWLEDGED:

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE REPOSITORY OF
FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Burbank Public Financing Authority

Name of Issue: \$22,015,000 Burbank Public Financing Authority Revenue Bonds, 2003 Series C
(City Centre Redevelopment Project)

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Burbank (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by (a) that certain Indenture of Trust, dated as of March 1, 1990, by and between the Agency and Bank of America National Trust and Savings Association, as succeeded by Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended and supplemented by that certain First Supplemental Indenture of trust, dated as of May 1, 1993, by and between the Agency and the Trustee, and as further amended and supplemented by that certain Second Supplemental Indenture of Trust, dated as of October 1, 2003, by and between the Agency and the Trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY OF THE CITY
OF BURBANK

By _____
Title _____

cc: Trustee

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F has been provided by The Depository Trust Company ("DTC"), New York, NY, for use in securities offering documents, and neither the Authority nor the Agency take responsibility for the accuracy or completeness thereof. The Authority and the Agency cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.